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Nonprofit leadership: A Study of Governance Changes over Time

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Nonprofit leadership: A study of governance changes over time

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Dedication

I dedicate my dissertation work to all those students out there still working to find a topic and to those who are standing beside me being hooded. A special feeling of gratitude to my family: Mom you always provided me with words of encouragement and sentiments of love.

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Abstract

This is a leadership study understood through board governance in nonprofit organizations. The study sought to discover if there were indicators of coercive institutional isomorphism occurring in human service nonprofit organizations in the United States. IRS 990 tax forms were compiled from 2008- 2012 to determine if there were increasing levels of reported governance practices. Methodology included factor analysis, comparison of means, trend analysis, and regression models. Results indicated that there is an overall trend of increasing reported practices of governance in human service nonprofit organizations. Board size is the most significant indicator associated with changes in reported governance practices. Additionally, there is some support for age and total net assets as isomorphic institutional indicators of change. Discussion and conclusion remarks delve further into reasoning and unpacking of reported governance trends over time with emphasis placed on the leadership implications.

Keywords: nonprofit governance, institutional isomorphism, coercive isomorphism, factor analysis, regression, trend analysis, organizational leadership

Chapter 1

Introduction

The nonprofit sector in America has expanded and grown in form, function, and orientation. Literature on America's nonprofit sector has exploded in recent years. Nonprofit organizations play a significant role in the American economy and the social structure of daily life. The birth of the nonprofit sector came from the need for diversity and variance in preferences as well as distrust, un-faithfulness, and lack of resources from the public (government) and private (business) sectors. Differences between the sectors (public, private, nonprofit) are at times, significant. And, at other junctures, they are blurred and intertwined. Nonprofit organizations are mission driven and value based verses for-profit ventures that are power and profit driven. Academic and practitioner based nonprofit research has mushroomed and best practices and comparative processes are plentiful in scholarly publications. The nonprofit field has swelled due to the growing heterogeneous population with diverse needs and interests, in addition to skepticism and failures of government, political systems, and social ideologies (Smith, 1991). Doctoral dissertations and scholarly organizations have assisted in the expansion of know-how and knowledge within the field, while delving deeper into questions about the nonprofit sector. These include: How to define nonprofit? What makes it distinct? Is there historical evidence for the existence and presence of the nonprofit sector? All of these questions have multiple purposes but one factor in common; they seek to understand the nonprofit sector from a leadership perspective. Nonprofit leadership is not a new or even a newly minted concept; it is the linchpin to the strength, perseverance, and success of the nonprofit sector.

Through quantitative research, the focus of my dissertation, on nonprofit leadership, endeavors to understand leadership through reported governance policies, practices, and procedures. Specifically, the purpose of this dissertation is to research, uncover, and discuss any possible changes of reported governance policies, practices, and procedures in the nonprofit sector as a possible result of coercive isomorphic changes (DiMaggio & Powell, 1983). Supported by the foundational theory of institutionalism, I aim to discover if coercive isomorphism is changing governance practices in human service nonprofit organizations. My study hypothesizes that there will be increases in reported governance practices over time and less changes in reported governance practices in large or older organizations. In order to test and understand my research question, I am structuring my dissertation as follows: 1) first a section focused on the nonprofit sector, including what defines the sector and what challenges it faces today, this sets the stage for a focus on governance in nonprofit organizations; 2) then a discussion on current literature and theory focused on nonprofit governance is presented; 3) followed by a focus on institutionalism and institutional isomorphism with an emphasis on coercive isomorphism.

My research design follows a multi-phase sequential quantitative approach (Table 1) that seeks to uncover statistical evidence regarding coercive isomorphic changes happening over time in human service nonprofit organizations in the United States. The research design consists of three distinct phases: phase one involves data mining and data collection, phase two presents an exploratory factor analysis (EFA), and phase three offers methodology which is directly tied to both parts of the hypothesis, resulting in computation and interpretation of trend analysis, t-tests, and multiple regression models.

Following the method section are results which indicate support of the hypothesis that organizations are reporting increased practices of governance policies, practices, and procedures over time. Results also support that larger and older organizations report more consistent governance practices. These larger and older organizations also exhibit fewer changes to their governance policies and practices over time. Finally, a conclusion discusses the results and explains an inability to account for all aspects of governance, while also discussing the study's limitations, implications, and generalizability. Also offered in the conclusion, are future research ideas for furthering this line of inquiry as well as supporting the need for more publically available nonprofit data. It is my hope as a nonprofit researcher to be able to translate evidence supported research into practical guides or best practice options for the daily practitioner. My dissertation, focused on nonprofit leadership understood through reported governance is my first step to fulfill this endeavor.

Table 1
Multi-phase sequential quantitative research design

Phases		
1	Data Mining	IRS 990 Tax forms
2	Factor Analysis	Extracted Components
3	Trend graphing T-test Regression Model	Hypotheses: H1a & H1b

Defining the Nonprofit Sector

The nonprofit sector is comprised of social benefit organizations that are not government oriented or profit driven (IRS). Other names that are often used are third sector, not-for-profit, independent, or voluntary sector (Powell & Steinberg, 2006). Unpacking these definitions and delving into distinctions that make charitable organizations different can often be understood through characteristics and traits. Leadership within an organization is the pivotal component to ensuring that the organization is following legal mandates, as well as organizational vision, mission, and purpose.

Offering a concise definition for the nonprofit sector is difficult and potentially misleading. The definition offered here presents the essence of the nonprofit sector in America, understood through a positive notion of what the sector can do and how it is situated; rather than the normal route of defining, that focuses on limitations, lack of abilities, and offering negative connotations. For the purpose of this study, the definitions laid out will allow the reader to garner the spirit of the nonprofit sector through a focus on positive characteristics and values.

The nonprofit sector is a product of the history of the United States of America (Gies, 1990). The emergence of the colonial era helped develop the rise of the nonprofit sector. The need for the growth in the social fabric of America was due to the sheer desire for survival that could only be gained through trust and reciprocity with your neighbor. The rise of associations and associational life originated in the colonial era in order to offer mutual assistance and increase the distribution of resources between neighbors (Ott & Dicke, 2012). Immediately following the American colonial era, writer and traveler Alexis de Tocqueville adventured to America from France to discover and qualitatively analyze America's 19th century society. Tocqueville observed that the social fabric of America was based on associational life, enabling the banding together of citizens with similar issues, passions, and problems. The nonprofit sector is defined by Tocqueville as the "social state… [that] is essentially democratic" (pg. 52, 1835). Continuing to understand that the nonprofit sector as a product of history, we can use these definitions, parameters of distinction, and differential qualities to delineate the social benefit organizations from government and for-profit businesses.

Developing a definition of the nonprofit sector is a long and arduous process. Thanks to several researchers (Smith, 1991, 1994; Smith, Stebbins, & Dover, 2006), the nonprofit sector has been defined through what constitutes a nonprofit organization including its legalities, functional purpose, and operational structure. Though the following criteria is not exhaustive, it offers characteristics that lead to aid the legally constituted, nongovernmental entities that are incorporated under state law as social benefit corporations. All nonprofit organizations require the following qualities (Salamon & Anheier, 1997):

- Public service mission
- Organized as a nonprofit/charitable organization
- Cannot have self-interest or private financial gains
- Exempt from paying federal tax
- Offer tax-exempt donations/ gifts

Major categories of nonprofit organizations are defined through the National Taxonomy of Exempt Entities (NTEE) system, which is used by the Internal Revenue Service (IRS), the Foundation Center, and the National Center for Charitable Statistics (NCCS). The NCCS is the national clearinghouse for data on nonprofit organizations in the United States. The NTEE system was developed in the 1980s in order to offer a way to

> "facilitate collection, tabulation, presentation, and analysis of data… promote uniformity and comparability in the presentation of statistical and other data…

provide better quality information as the basis for public policy debate and decision-making for the nonprofit sector and for society at large" (Sumariwalla, 1986).

The NTEE codes include 26 major group classifications that are organized into 10 categories:

I. Arts, Culture, and Humanities
II. Education
III. Environment and Animals
IV. Health
V. Human Services
VI. International, Foreign Affairs
VII. Public, Societal Benefit
VIII. Religion Related
IX. Mutual/ Membership Benefit
X. Unknown, Unclassified

NTEE codes are essential to nonprofit research as they offer a numeric, alphabetic, and in most circumstances a digital footprint to verify data. For the purpose of this study, NTEE codes will play a major part in understanding and upholding uniformity to the study results.

All of these varied organizations make up America's nonprofit sector. Though the idea and definition of the nonprofit sector may be vague and opaque, the role of the nonprofit sector in society is tangible and purposeful.

The Nonprofit Sector Today

The term nonprofit organization tends to bring images of small struggling co-ops to mind, however the nonprofit sector today is as much a part of the national economy as the department store where you buy your suit or the grocery store where you buy coffee. Assets from America's nonprofit organizations total over $4 trillion (IRS, 2013). It is through strong and informed leadership that the nonprofit sector has grown to become such an integral part of the national economy.

There are approximately 1.44 million nonprofit organizations registered with the IRS (2013), which is an increase of over 8 percent from 2002 (The Nonprofit Sector in Brief, 2014). Over 5.4 percent of the US gross domestic product (GDP) is from 501c3 organizations resulting in the sector's contribution of over $880 billion (The Nonprofit Sector in Brief, 2014). Included in the 1.44 million nonprofits is a diverse group of organizations, both in mission and size. Public charities account for over 75 percent of the sector's revenues, expenses, and assets (NCCS, 2012). In 2013, total private giving reached over $335 billion, signaling an increase of over 4 percent from 2002 (The Nonprofit Sector in Brief, 2014). However, according to Giving USA, philanthropic giving is lower than its peak in 2007, prior to the recession. In 2013, 25 percent of adults volunteered, which led to the contribution of 8.1 volunteer hours per person in 2013, this is also down from pre-recession time (The Nonprofit Sector in Brief, 2014).

In order to classify as a nonprofit, an organization must comply with the previously stated characteristics, as well as state regulations. The IRS is the governing body who imposes regulations on 501c3 organizations. In 2011, over 200,000 nonprofits lost their tax-exempt status because of their failure to comply with regulations (Urban

Institute, 2012). Of those 200,000 organizations, 50 percent were human service or public benefit organizations (NTEE major code V & VII). Along with the classification of the nonprofit sector, there are environmental influences such as political and legal issues.

Sarbanes-Oxley

Nonprofit organizations, as mentioned previously offer concrete and recognizable services in society. The nonprofit sector was born out of the growth of a heterogeneous society, the need for diverse interest, and as a reaction to government and for-profit market shortcomings (Powell & Steinberg, 2006). This means, to a simplistic extent, that nonprofits have grown to become a part of the nation's economy and by extension, have been impacted by the political, economic, and social decisions of the government and private sectors. Nonprofit organizations and specifically their governance practices and policies are influenced by legislation that occurs at the national level. It is the board of directors' and the leadership's responsibility to determine the applicability of and ensure the compliance with legal matters in nonprofit organizations.

In 2002, the Sarbanes-Oxley legislation came into force and introduced substantial changes to the regulation of financial practices and corporate governance in for-profit organizations. The Sarbanes-Oxley Act of 2002 is mandatory for all legally registered, publically traded for-profit businesses. The Act is named after Senator Paul Sarbanes and Representative Michael Oxley who conceived the structure and deadlines associated with the legislation (SEC, 2002). The Act is constructed into 11 titles, in regards to compliance; the sections that are most relevant to nonprofit organizations are 302, 401, 404, 409, 802, and 906 (SEC, 2002). President Bush signed the Act into law July 30, 2002 stating that the Sarbanes-Oxley Act is "the most far reaching reform of

American business practices since the time of Franklin Delano Roosevelt" (SEC, 2002). The Sarbanes-Oxley Act aims to rebuild public trust in the private sector, which came about as a response to corporate scandals regarding accounting. It is a requirement for publically traded companies to conform to the new standards of financial and auditing procedures[i]. The US law passed in 2002 aims to strengthen corporate governance and restore consumer confidence. The Sarbanes-Oxley act directly affects publically traded companies and places regulations on what companies must do to ensure auditors' independence. Furthermore, the Act dictates the process for electing competent audit committee members and ensuring adequate reporting procedures. The Act also closes most of the loopholes relating to document destruction and whistler-blower protection. This applies to both for-profit and nonprofit entities. As previously stated, there are 11 titles to Public Law 107-204, 107th Congress, Sarbanes-Oxley Act:

I. Public Company Accounting Oversight Board
II. Auditor Independence
III. Corporate Responsibility
IV. Enhanced Financial Disclosures
V. Analyst Conflicts of Interest
VI. Commission Resources and Authority
VII. Studies and Reports
VIII. Corporate and Criminal Fraud Accountability
IX. White-Collar Crime Penalty Enhancements
X. Corporate Tax Returns
XI. Corporate Fraud and Accountability

The Act addresses insider transactions and conflicts of interest, independent and competent audit committees, responsibilities of auditors, certification of financial statements, disclosures, whistle-blower protection, and document destruction (SEC, 2002). Additionally, within the written law, there are definitional parameters that set the stage for understanding the who, what, when, and why of the specific regulations and appropriate applications. The law focuses on American publically traded corporations; however, two specific compliances apply to nonprofit organizations: document destruction and whistle-blower protection (SEC, 2002). Additionally, organizations such as Board Source and the Independent Sector assert that there are several aspects of the law that can and should apply to the nonprofit sector (Board Source, 2003; 2006). In their joint publication *The Sarbanes-Oxley Act and Implications for Nonprofit Organizations*, 2003/2006, Board Source and the Independent Sector offer recommendations that nonprofits voluntarily incorporate provisions of the act that make good governance sense.

Implications of Sarbanes-Oxley for the Nonprofit Organization

Implications for nonprofits derived from the 2002 Act include recommendations on promoting effective oversight that include having a conflict of interest statement, ensuring there is an audit committee, certifying financial statements, procedures for destruction of documents, policies for whistle-blower protection, and having written disclosures for committee members-specifically the audit committee. It is the board of directors and the leadership’s responsibility to determine the applicability of and ensure the compliance of legal matters within nonprofit organizations. The following is a review of the Sarbanes-Oxley Act, how the provisions affect nonprofit leadership, and recommendations for implementation.

Independent and competent audit committee. The Act requires that there be audit committees and that each member of the audit committee be a member of the board. They also must be independent, defined as not being part of the management team and not receiving compensation. This provision also states that there needs to be a disclosure of at least one "financial expert" that serves on the audit committee. However, a definition for financial expert is not specified. This section also outlines that the audit committee is responsible for hiring, setting compensation, and overseeing the auditor's activities. Furthermore, the audit committee should explicitly set rules, procedures, and practices. The relevance to nonprofit boards includes the recommendation that they establish audit committees. These could be formed through financial committees. It also lays out the good practice of establishing independent audits and complete review of auditing practices.

Many states have taken it upon themselves to regulate nonprofit auditing practices through the attorney general's office. For example in California, the state legislation passed the Nonprofit Integrity Act of 2004, which stipulates that nonprofit organizations whose revenues exceed $2 million must have an independent auditor (California's Nonprofit Integrity Act, 2004). However, not all nonprofits are required to undertake a full audit and place the responsibility on their board of directors. Several nonprofits have outside requirements for completing audits. Nonprofit organizations that receive over $500,000 from federal funds are automatically required to complete audits as laid out by their grant contract (Board Source, 2003). It is highly recommended that the governance boards take the time to determine the cost-benefit of conducting audits, both internal and independent audits (Board Source, 2003). Moreover, both Board Source and The

Independent Sector strongly recommend that all nonprofit boards take the necessary steps to complete an annual fiscal financial review. Even though most nonprofit board members are volunteers, financial literacy should be included in board orientation (Board Source, 2003). This section of the act also lends nicely to the suggestion that auditing companies should consider offering pro-bono audits for social benefit organizations (Independent Sector, 2009:2010).

Responsibilities of auditors. The Sarbanes-Oxley Act prohibits that auditing companies from offering other financial services to the same organization. For example, one company cannot be responsible for the bookkeeping, computer information systems, appraisal services, human resources, etc. Additionally, the same individual or company performing the audit must rotate every five years. Implications for nonprofit organizations include changing auditors as laid out in the Act (SEC, 2002). It would also be beneficial for nonprofit organizations to use different partners or firms for other management responsibilities as well (bookkeeping, appraisal, etc.) (Board Source, 2003). This section of the act also discusses relevant disclosures for internal controls and practices (SEC, 2002). Again, Board Source and The Independent Sector (2003) suggest that it would be beneficial to nonprofit organizations to include written disclosures in their policies, which would thereby increase transparency.

Certified financial statements. Sarbanes-Oxley set forth the provisions that the chief executive and chief financial officer must certify financial statements. This includes certifying for appropriateness, operations, and fairness. Criminal sanctions are associated with false certifications. Executive directors, board presidents, and the head of the financial committee should independently review and certify the audit. This again increases transparency as well as integrity within the nonprofit organization. A key financial document for 501c3 organizations is the IRS 990 tax form (Appendix A). The form requires a signature from leadership within the organization. Unfortunately, research from a number of studies reveals that the accuracy of IRS 990 tax forms is low and unreliable (Board Source, 2003). Many of these errors are directly related to failure to complete the form, misinterpretation, or a lack of understanding of the form, as well as the inaccurate reporting of fundraising costs and other financial expenditures (Jackson, 2007; Behn, DeVries, & Lin, 2007). These reporting errors support the provision laid out that nonprofit leadership needs to examine and reexamine their financial statements for accuracy, reliability, and completeness, which in turn should be appropriately recorded and reported on the IRS 990 tax form.

Insider transactions and conflicts of interest. Sarbanes-Oxley prohibits loans to company leadership and management. The nonprofit sector is already highly regulated concerning monetary functions and transactions. State laws set forth that 501c3 organizations "cannot have self-interest or private financial gains" (Salamon & Anheier, 1997). Penalties are associated with private inurement and excessive personal benefit. Therefore, providing loans to company leadership and management is not a specific issue or concern of nonprofit organizations; however, it is recommended to continue the practice of not lending monies to staff or board members.

Disclosures. Multiple disclosures are required for compliance to the Sarbanes-Oxley Act. These include information on internal controls, correction of past financial statements, material off balance sheet transactions, material changes in operations, and financial situations. Nonprofits currently do not have to file these reports since they are not publically traded. It is important that nonprofits provide this information on the IRS 990 tax form for their funders, donors, clients, media, and the general public. It is required that 501c3 organizations make their IRS 990 tax form publically available and free to anyone who requests them, either in writing or in person (IRS, 2008). This also leads to the recommendation that nonprofit organizations should file their IRS 990 tax form yearly and electronically. This increases nonprofit transparency and accountability to the public.

Whistle-blower protection. The Sarbanes-Oxley Act set-forth protection for whistle-blowers that has become an amendment to the federal criminal code. Whistle-blowers are persons who risk their careers by reporting suspected illegal activities within their organization of employment (Whistleblower, 2011).The Act allows for criminal penalties for action taken in retaliation against whistle-blowers. Implications for the nonprofit sector are straightforward, since this provision applies to all organizations – for-profit and nonprofit. Nonprofit organizations need to start protecting themselves by increasing professionalization and professional practices of accounting, human resources, financial statements, bookkeeping, and board of directors meeting documentation. Written policies are highly encouraged to eliminate any unclear directives and establish a record of ethical and clear-cut guidelines for decision-making. Nonprofits need to adopt and implement clearly written policies especially concerning complaints and actions needed in order to prevent retaliation.

Document destruction. The Act clearly identifies that it is a crime to falsify, alter, change, destroy, or re-create any document. This provision of the Act also amended the federal criminal code; it is applicable to all organizations- for-profit and nonprofit.

Nonprofits should maintain accurate records of all proceedings, especially legal and those that lead to decisions. Board meeting minutes need documentation and approval by a quorum of board members. Employee/staff files, major transactions, fundraising efforts, real estate, and other contracts should all be filed and accessible. This includes paper documents, digital memos, and voicemails.

The Sarbanes-Oxley Act has been in place since 2002, with recommendations for the nonprofit sector arising in 2003 and further revisions in 2006 (Board Source, 2003; 2006). As one result of the Act, the IRS has increased the questions and included sections related to governance and auditing (Part VI & XII) on the IRS 990 tax form (Table 2). This was the first time since 1979 that the federal government revised the IRS 990 tax form. The government's reasoning behind the revisions was to increase transparency, add accountability, and enhance governance (Bakale, 2009; Halloran & Higgins, 2008; Smoker & Mammano, 2009). State and federal governments do not require completion of the governance section of the IRS 990 tax form and only organizations with assets over $25,000 USD are required to file an IRS 990 tax form. However, it is a vital part of the available data regarding nonprofit organizations in the United States. The National Center for Charitable Statistics is the clearinghouse for digitalized IRS 990 tax form data.

Table 2

IRS 990 tax form nonprofit governance measures

Variable Description	Variable Location on IRS 990 form	Coding
Family/business relationships between personnel	Part VI Question 2	0=yes 1=no
Management function outsources	Part VI Question 3	0=yes 1=no
Organizational document changes	Part VI Question 4	0=yes 1=no
Material diversion of assets	Part VI Question 5	0=yes 1=no
Documentation of governing body meetings	Part VI Question 8a	1=yes 0=no
Documentation of authorized committee meetings	Part VI Question 8b	0=yes 1=no
Key organizations personnel unreachable	Part VI Question 9	1=yes 0=no
Governing body review of 990 form prior to filing	Part VI Question 11	1=yes 0=no
Written conflict of interest policy	Part VI Question 12a	1=yes 0=no
Key personnel in org disclose conflicts of interest	Part VI Question 12b	1=yes 0=no
Compliance enforcement of conflict of interest policy	Part VI Question 12c	1=yes 0=no
Written whistle-blower policy	Part VI Question 13	1=yes 0=no
Written document retention and destruction policy	Part VI Question 14	1=yes 0=no
CEO or top executives' compensation approved	Part VI Question 15a	1=yes 0=no
Key personnel compensation approved	Part VI Question 15b	1=yes 0=no
Applicable forms disclosed on organizations' own website	Part VI Question 18	1=yes 0=no
Contact information for organization provided in governance section	Part VI Question 20	1=yes 0=no
Accounting method	Part XII Question 1	1=accrual 0=other
Organization's financial statement compiled or reviewed by independent accountant	Part XII Question 2a	1=yes 0=no
Organization's financial statement compiled or reviewed by independent accountant	Part XII Question 2b	1=yes 0=no
Organization has an audit committee	Part XII Question 2c	1=yes 0=no

Note. IRS 990 tax form information utilized in this study and for the purpose of measuring governance.

Problem and Research Statement

Even though Sarbanes-Oxley was enacted in 2002 and the IRS implemented higher levels of questioning on the IRS 990 tax form in 2008, all with the purpose of increasing transparency and accountability, there is little to no scholarly research focused on governance trends, implementation, or usage of the IRS 990 tax form, since it is relatively new and difficult to access. This could be associated with the fact that the new sections on governance and auditing have yet to be made digital through the Urban Institute's NCCS database. The lack of available digital data could be a reason for the lack of research on the Sarbanes-Oxley Act's implications, effects, and repercussion within the nonprofit sector. This lack of oversight and follow-through of connecting collected data to the researcher and therefore being able to translate research results for the practitioner is the basis of this study. If research cannot be simply and clearly conducted then how are results going to be able to be generalized and put into action to increase the public knowledge of nonprofit organizations? It is the purpose and goal of this dissertation to take steps to understand the governance data collected on the IRS 990 tax form and statistically interpret any potential trends and helpful insights for the nonprofit practitioner. Being able to numerically code answers from the governance and auditing sections will allow for a quantitative analysis of the data. This can then be tracked for trends or holes in the collected governance data. It is my hope that results will encourage further use of IRS 990 tax form data while also advocating for more publically accessible data sets for the nonprofit sector.

There is a need for research about nonprofit governance that deals with current events, has the ability to utilize new data, and can help to determine if there are changes occurring within the field. In order to examine these possibilities, I have sought out literature and scholarly research regarding the nonprofit sector, specifically research and publications focusing on the practitioners and quantitative methodological approaches. The nonprofit sector today has suffered from the 2008 global financial crisis and the housing bubble burst. Pressures, influences, and consequential reactions from sociopolitical changes, both good and bad and extreme and not extreme, all have some level of effect on the nonprofit field. Additionally, the growing importance of the nonprofit sector has also led to further scrutiny by the public. Issues of accountability and performance have been raised. However, in order to answer these inquiries, there needs to be current data collected and then made available to the researcher. This study aims to take a step in that direction, by using the previously stated governance and auditing data from the IRS 990 tax form to determine: first relatedness to governance practices and then potential changes occurring over time. Following this line of inquiry and based on the environmental context and whole economy changes that are occurring I have formulated the research question to an overarching inquiry:

> Is coercive isomorphism changing reported governance practices in human service nonprofit organizations?

In order to offer further explanation and justification for this research directive, I define and discuss relevant research including models and theory. I begin with an umbrella approach, first discussing organizational change leadership, then moving on to nonprofit governance, and narrowing the scope down to institutionalism. This is then followed by a discussion of new institutionalism innovations and culminating with coercive isomorphic institutional change. Finally, the research question is reiterated and hypotheses outlined.

Chapter 2

Literature and Theory

The increased attention on nonprofit organization post Sarbanes-Oxley led to an upsurge in research literature. In nonprofit organizations, the governing body is the board of directors. The board is the leadership of the organization and has oversight responsibilities that include legal, ethical, and fiduciary components.

Organizational Change Leadership

Organizational theory is a foundation and research platform of the social sciences. Organizational change, a category of organizational theory, has multi-disciplinary roots. Organizational change targets multiple different activities, dimensions, and levels of analysis. Activities include reporting changes in relationships and in funding for organizations. Different dimensions include areas related to planning, the magnitude of the change, and the continuity of the change process. Additionally, organizational changes have different levels of analysis ranging from the organizational level (the one examined in this study), to the group, to the individual, as well as a macro function focusing on the entire system as a unit of analysis. Models of change that are often researched in organizational change include Lewin's force field model (1951), Weisbrod's six box model (1976), Nadler and Tuchman's congruence model (1983), and Burke-Litwin's model of organizational performance and change (1992, 2009). Each of the preceding models have specific purposes ranging from managing problems, objective setting, and goodness of fit regarding organizational objectives. In organizational change theory, organizations are not objects or things, rather they are living, breathing, and operating entities. They are concepts that have come to life and were developed through actions, dialogue, vision, and passion. Organizations are not only influential to those within the organization, but play an active role in civil society. When focusing on nonprofit organizations, these operations not only fulfill a need of a good or service to the public but are also guided by the needs and wishes of their constituents. Organizations are socially constructed as mechanisms for change.

Organizational change has three different approaches: selection, adaption, and embeddedness (Galazkiewicz & Bielefeld, 1998). Selection models include looking at the environment for potential reasons or sources of change and include organizational ecology (Hannan & Freeman, 1977) and some aspects of institutional theory (DiMaggio & Powell, 1991). Adaptation models look at the attributes that make it possible to achieve outcomes and include theoretical designs such as resource dependency (Pfeffer & Salanick, 1978), contingency theory (Lawrence & Lorsch, 1967; Fiedler, 1972), part of the foundation of institutional theory (DiMaggio & Powell, 1983), and economic based transaction theory (Williamson, 1975). The third model of organizational change is embeddedness from sociology literature and it strives to place change within different social structures. Grannovetter (1985) empirically studied and conceptualized embeddedness theory, whereby there are strong and weak ties in society that dictate how decisions are made and how resources are attained, thus developing the embedded approach.

Organizational change includes multi-faceted definitions and conforms to allow for various definitional parameters (Powell & Bromley, 2013). Theories related to organizational change are malleable and able to adjust to various situational differences and concepts. Environmental effects on organizational behaviors have been researched and hypothesized for years. However, it was not until the mid-1900s that academicians accepted organizational change theory (Poole & Van de Ven, 2004). At times, it is simple to see that change has occurred, however, there are other instances that leave uncertainty or an unclear path to understanding these changes. The emergence of studies related to the ecological environment and the area where organizations live and candor thrives has affected organizational change literature. This allows and expands the nature of the research to focus on external environments rather than internal environments (Hawley, 1950; Lawrence & Lorsch, 1967; Warren, 1967). In 1950, Hawley concluded that an organizational environment was derived from an ecological community based on geographic location. This led to an understanding that organizations within close proximity to others cooperated, competed, and potentially copied each other.

Expanding and contrasting the ecological environment is the institutional environment which includes culture and influences on organizational behavior. Institutional environment deals with defining and enforcing appropriate behaviors (Scott, 1995). This also deals with conferring organizational legitimacy (Scott, 1995). Scott's study focused on sociopolitical legitimacy (Baum & Powell, 1995; Hannan & Carroll, 1995), whereas ecologists research legitimacy through constructive legitimacy. Constructive legitimacy is cognitive and process oriented. Sociopolitical legitimacy related to behavioral conformity is the concept of violation or punishment based on laws, norms, or standards. Another research avenue of legitimacy focuses on changes in laws or passage of legislation (Singh, Tucker, & Meinhard, 1991). This is not constructive legitimacy or sociopolitical, rather it is a broader understanding of institutionalism where overnight— through the passage of a law or legislation—organizations become noticed, regulated, or legitimate in the eyes of the public. This line of inquiry deals with exogenous institutional change (Hannon & Carroll, 1995).

Within the organizational change and organizational legitimacy, the governance of the organization is important. The board of directors of a nonprofit organization has duties to follow and abide by, these include the duty of care, the duty of loyalty, and duty of obedience. Each of these duties influence organizational legitimacy. The following sections discuss and apply legitimacy as understood through institutionalism in the context of this research study.

Nonprofit Governance

Organizational change leadership manifests in different way, depending on the situational construct. For nonprofit organizations, the board, as the governing body can be seen as the leadership of the organization. And governance in nonprofit organization is studies through board actions, decisions, and procedures.

Governance is progressive and ever changing, as governance models are evolving tools of leadership. Governance theorems regarding nonprofit organizations focus on the board of directors or trustees. The responsibilities that are associated with these individuals are based on principles of leadership, oversight, and organizational structure (BoardSource, 2010). All of these principles have a common factor in nonprofit organizations, which is the mission. A nonprofit organization is mission based and mission driven. An organization’s mission encompasses the purpose of the organization and acts as a north star for the future.

Governance as a theory and practice is an integral part of daily organizational behaviors and structure within all nonprofit organizations (Powell & Steinberg, 2006).

Governance theories are vast and defined while utilization has been found to be collaborative and to take the form of hybrid models (Gill, 2002).

Governance theory is a traditional hierarchical arrangement. A top down organizational structure of governance is the traditional model, whereby the board tells management what they want accomplished. The failures remain that the board is often dilettante and ends up being a follower to management (Ballantyne & Associates, 2006). However, current literature on governance and roles of boards offers a wide array of models; there is not a one size fits all, rather many theorems that offer frameworks to understanding models of governance. Research has noted that several issues and obstacles exist in conceptualizing and measuring governance effectiveness and implementation (Nobbie & Brundney, 2003).

This dissertation focuses on institutional isomorphism theory from organizational literature. However, a broad understanding of other nonprofit governance theories and conceptual foundations is imperative to understand other possible error terms, environmental conditions, and sectorial relations. Therefore, the following section briefly outlines nonprofit governance models.

Governance models range from economic based agency theory (Fama & Jenson, 1983) and institutional theory (Powell & DiMaggio, 1991) to power relationship based models (Murray, Bradshaw, & Wolpin, 1992; Hillard, 2008; Jager & Rehli, 2012)[ii]. Power, as a concept of governance, is the ability to implement one's will against opposition (Jager & Rehli, 2012). Governance models based on power relationships have been studied from board and CEO relationships to determine the differences between power sharing, CEO dominant, chair dominant, fragmented and powerless (Murray, Bradshaw, & Wolpin, 1992). A trust based model of governance involving CEO and board partnerships with the community and offering a stepladder approach, while framed in social capital theory, has also been studied (Hillard, 2008). Results offer a trust-building framework as the first step of the model, followed by interactions between the board chair and the executive director allowing for the formation of a relationship that could offer mutual benefits. There are three different levels of benefits: managing, planning, and leading, each with incremental increases in building social capital. The third addition to the governance trust model is interpersonal interaction stemming from prior knowledge as a proactive component to social capital building through governance.

Another avenue of governance research is through roles, specifically roles of board chairs and executive directors. Deductive models of governance focus on relationships between executives and the board through qualitative analysis. Results indicate that relationships matter in organizational structure, behaviors, and resource environments (Brown & Guo, 2010). The findings in Brown & Guo's (2010) study align with previous work compiled by Hillman and Dalziel (2003), which detailed resource dependency, and indicated that it was a driving factor in board member contributions.

"Governance framework reflects the recognition by scholars and practitioners alike that solving important public problems today means considering the wider net of actors working on these problems" (Benjamin, 2010, pg 612). Governance in a nonprofit organization is adaptable and inclusive of economic, political, and social theories, while also supporting the notion that organizations are influenced by outside actors and environmental changes (DiMaggio & Powell, 1991; Benjamin, 2010).

Nonprofit governance, as researched by Cornforth, is defined as the "systems and processes concerned with ensuring the overall direction, control, and accountability of an organization" (Cornforth, 2004: 2011, pg 6). This definition is the foundation of this study. Understanding how to operationalize a definition is contextually important in order to define the parameters of the overall research endeavor. The above definition for nonprofit governance is operationalized through this study by means of the IRS 990 tax form and Part VI and XII that collect data on reported governance policies, practices and procedures of nonprofit organizations in the United States. To unpack and operationalize the above definition of nonprofit governance I specifically examine the reported systems, as seen through policies, the processes as seen through practices, and procedures as derived from self-reported information in the IRS 990 tax form.

The need to first and foremost understand what nonprofit governance is and the extent to which the knowledge of policies, practices, and procedures can help the practitioner is underrated. This is part of the problem that my dissertation is addressing, specifically seeking to uncover what policies and practices of governance are being reported. There is a dire need and a research gap when it comes to reporting and the utilization of reported documents. Not only is there a lack of understanding of IRS tax documents, but the IRS increased the number of questions on the 990 tax form, and never offered detailed analysis on those forms or assistance to nonprofit organization as to how the form should be filled out or what benefit completing the forms produced (IRS, 2008-2013). Nonprofit governance focusing on the "systems and processes concerned with ensuring the overall direction, control, and accountability of an organization" (Cornforth, 2004: 2011, pg 6) is the operationalized definition for this study and is combined with institutional theory. Institutional theory is one of the most developed, studied, and understood theories of cross-disciplinary research (Cornforth & Brown, 2014). Institutional theory has been used to determine and further narrow my dissertation's research objective.

Institutionalism

In its simplest form, institutionalism is a set of rules. They form the foundation for behaviors within organizations. As with the above areas of research, institutionalism is multifaceted. Institutional theory has the ability to be conceptualized and understood as a broad connection between multiple disciplines, all with a shared understanding that defines this theoretical orientation. The link or thread that connects all the disciplinary views is the endeavor to discover and follow the relationships between social structures and organizations. However, that is the extent to which there are similarities, the definition of institutions differ from scholar to scholar. Institutions are conceptualized differently, focal features of organizations differ, and focus of research arguments are dissimilar (Powell & Bromley, 2013). This robust theoretical orientation lends itself nicely to understanding organizational leadership.

Institutional theory is a prominent theoretical perspective found in business and public administration research and asserts that an organization's environment is influential (DiMaggio & Powell, 1983). Institutional theory dictates that organizations seek legitimacy through their environments including internal personnel, stakeholders, and external constituents. Institutional theory further stipulates that in order for an organization to be valid, the organization will adopt and submit to the values, norms, expectations and practices of the environment to which they belong and operate

(Cornforth & Brown, 2014). Organizations, as explained through institutional theory, adhere to the norms and values of their environment, and replicate practices of ‘good governance’ in order to be internally and externally viewed as a genuine organization.

Institutional theory, as proposed by DiMaggio and Powell in 1983 and later defined and expanded as new institutionalism in 1991, is a mechanism for understanding and interpreting organizational change. Similar to organizational charts, families of theories can be visualized as a hierarchical ladder. Institutionalism is a subcategory of organizational change, which is a category under organizational theory, in the social sciences. Within organizational literature, institutional theory is the foundation for both the adaption change and selective change theoretical models (Galaskiewicz & Bielefeld, 1998).

New Institutionalism. Institutional theory is an old analysis, striving to understand influential social factors. However, the theoretical approach is sufficiently novel as to be considered contemporary and often examined as a new distinctive approach (DiMaggio & Powell, 1991: 2012). The main reasons behind the *new* concept is the lack of agreement on macro and micro features, their differences of importance of cognitive and normative aspects of institutions and the overall importance of networks. New institutionalism is therefore not necessarily a *new* concept, rather an approach that has been utilized for centuries, though has recently grown in observance in the social sciences (Powell & DiMaggio, 2012). Active research lines have recently emerged in economics, political science, and sociology providing strength behind the new institutionalism movement in research literature. This further lends strength to the use of the theoretical foundation of the institutionalism to the study of organizations and their leadership in scholarly research. The main differences in the “new” verses “old” view of institutionalism is the focus of the research. “Old” institutionalism focused on policies and routines in an effort for an organization to be self-sustaining. “New” institutionalism focuses on the external environment and the socially constructed pressures that effect organizations. These external pressures create templates of how organizations should be and how they should be functioning, thereby leading to legitimacy among organizations. New institutional studies focus on isomorphism, decoupling, and distribution, including the later works from DiMaggio and Powell (1991). Focusing on the external environment, institutional isomorphism as laid out and defined by DiMaggio and Powell will be parsed out as the focus of the remaining review of literature.

Institutional isomorphism. Further defining elements of institutional theory, DiMaggio and Powell (1983:1991) discussed three mechanisms of institutional isomorphic change: coercive, mimetic, and normative (Appendix B). Coercive is defined through pressures from other organizations or outside entities. Within coercive isomorphism, there are characteristics of conformity. Mimetic means imitation-more specifically on the organizational level of analysis, imitation of other outside agencies. Normative isomorphic change refers to pressures both internal and external to the organization. Isomorphism, according DiMaggio and Powell in their 1983 article, is a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions. Literature suggests and research results indicate that, in general, organizations compete for resources, consumers, and power, all of which are contextual factors related to nonprofit governance (Pfeffer & Salancik, 1978; Ostrower & Stone, 2006: 2010; Brown & Gou, 2010). Institutional isomorphism theory provides predictors for diagnosing isomorphic change, utilizing different predictors depending on the domain of analysis. At the organizational level of analysis, these include organizations being more dependent upon other organizations, changes in structure to replicate those of other firms, centralization of resources, ambiguity of goals, and greater reliance on professional staff in order to create a more professionalized environment (DiMaggio & Powell, 1983). Institutional isomorphism theory posits that isomorphic changes in organizations enables agencies to interact with each other on the same level, thereby increasing each other's legitimacy.

For the purpose of my dissertation the analysis takes place at the organization level. Additionally, only coercive isomorphic change will be discussed, as I am only able to understand and examine the coercive factors through the available data and methodology. Coercive institutional isomorphism theory is used to understand and interpret the reported governance changes that are hypothesized in this study.

Research question

Based on the environmental context and economic changes that are currently occurring, and given my interest in nonprofit governance, I moved from first being interested in issues, to focusing on and reviewing the literature. Then I sought out research ideas that focused on areas of strategic leadership. The changes in the IRS 990 tax form took place starting with the 2008 tax year, therefore this study starts as a blank slate in 2008; I am not looking prior to 2008, thereby in order to focus on the questions spurred by the 2002 Sarbanes-Oxley Act. Because of the changes that have occurred and continue to ignite concern among the public, I anticipate the data will provide evidence of increased use of governance practices, such as whistleblower policies, conflict of interest statements, auditing committees, and third party reviewers. With the guidance of coercive institutional isomorphism theory and the indicators laid out through the research literature, I have structured the following research question:

- Is coercive isomorphism changing reported governance practices in human service nonprofit organizations?

Hypotheses

As earlier discussed institutional isomorphism offers the challenge to researchers to discover changes over time, which is the purpose of my dissertation study. The first hypothesis indicates that I expect to see increasing practices of reported governance over time. However, increasing governance is in no way reflecting the notion that more governance is better governance, rather there are more policies, practices, and procedures reported through the IRS 990 tax form. These policies, practices, and procedures reported through questions on the IRS 990 tax form are operationalized as the governance practices being carried out by the organizations. My second hypothesis seeks to determine if there are similarities between organizations that report consistent and stable governance practices or the inverse. This is identified through indicators as laid out through institutional isomorphism theory. These include agency size and age, which according to institutional isomorphism theory are indicators that lead to more homogeneity and consistency in practices, specifically in larger and older organizations (DiMaggio & Powell, 1983: 1991; Powell & Bromley, 2013).

- H1a: Human service nonprofit organizations will report increasing practices of governance over time.

- H1b: Human service nonprofit organizations that are larger and older will report more consistent governance practices, thereby exhibiting fewer changes to their governance policies and practices over time.

Chapter 3

Methodology

My research design seeks to uncover statistical evidence regarding coercive isomorphic changes happening over time in human service nonprofit organizations in the United States. Using a multi-phase sequential quantitative approach allows me to gain as full of a model as possible. The research design consists of three distinct phases: phase one data mining and data collection, phase two an exploratory factor analysis (EFA), and phase three statistical analysis which is directly tied to both parts of the hypotheses, resulting in computation and interpretation of trend analysis, t-test, multiple regression models, and follow up robustness tests (Table 1).

Table 1
Multi-phase Sequential Quantitative Research Design

Phase	Method	Support
1	Data Mining	IRS 990 Tax forms
2	Factor Analysis	Extracted Components
3	Trend graphing T-test Regression Model	Hypotheses: H1a & H1b

In their review of governance, Ostrower and Stone (2006) report that there is a need for new and additional types of data in order to further governance research. The research conducted and compiled for my dissertation is meeting this need, by mining data that is underutilized. Reported data from the IRS 990 tax form is publically available information, yet it is not being fully utilized and the benefits associated with this data are not yet realized. My methodology section builds on the information from the above chapters, including the discussion of the nonprofit sector today, the literature review, and institutional isomorphism theory that offers exogenous and endogenous factors influencing organizational legitimacy.

Sample and Selection

Variables utilized in the database include EIN codes, location of operation, total net assets for each year (2008- 2012), year of formation, number of board members and Parts VI and XII from the IRS 990 tax form. The EIN code for each organization is used as an identifier to look up each IRS 990 tax form. The location variable is based on the US Census Bureau classification of United States regions: Northeast, South, West, and Midwest. The location of operation variables are dummy coded in order to use this categorical variable as a predictor variable. Total net assets are taken directly from the IRS 990 tax form. Because of the large asset sizes, the logarithm for the total net assets is utilized. The year of formation or age variable is calculated as 2012-year of formation. The number of board members is included as a control variable, based on nonprofit governance literature that supports the importance of boards in nonprofit organizations. As shown in Table 2, information extracted from the IRS 990 tax form includes policies, practices, procedures, and board size variables. Table 3 presents the descriptive statistics for the independent variables and Table 4 includes the dependent variables. Furthermore, I have winsorized my data at the 90th percentile (Appendix C).

The sample size started at 1000 human service nonprofit organizations in the United States. After cleaning the data there were 959 in my total sample. This was further reduced to 888, when it was discovered that there were several organizations that did not list any board members. Once again the sample was reduced for the intial regression testing, due to 432 organizations exhibiting no change in their reported governance policies, practices and procedures for the five year period of study. Therefore the sample decreased to 456. However, through the robustness testing the regression models were conducted on the entire sample of 888. Additionally, the 432 organizations that reported no changes in reported governance practices were also further investigated, through robustness testing.

Table 3
Means, standard deviations, and correlations of independent variables

			Correlations					
Measure	M	SD	1	2	3	4	5	6
1. Mean assets 2008-2012 (log10)	5.852	.023						
2. Mean number of board members 2008- 2012	12.37	.354	.156**					
3. Age of organization	26.01	.535	.280**	.203**				
4. Location: Northeast	.20	.013	.073*	.010	.010			
5. Location: Midwest	.23	.014	-.024	.044	-.277**	-.277**		
6. Location: South	.33	.016	-.020	.008	-.356**	-.391**	-.391**	
7. Location: West	.23	.014	-.018	-.055	-.271**	-.297**	-.382**	-.382**

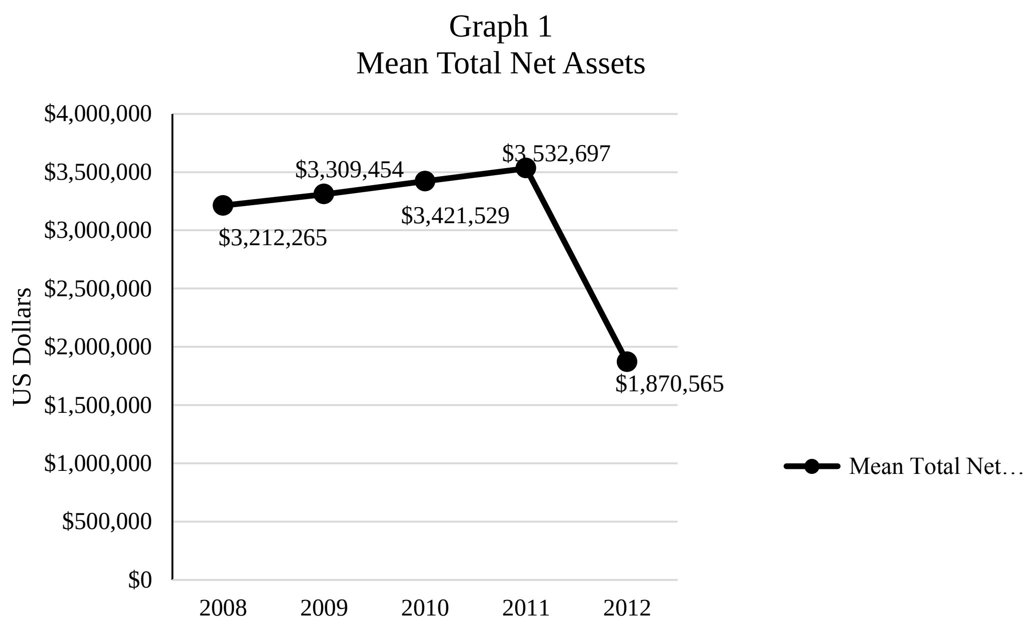
Notes: N= 888; * p < .05, **p < .01, ***p< .001

Table 4
Means, standard deviations, and correlations of dependent variables

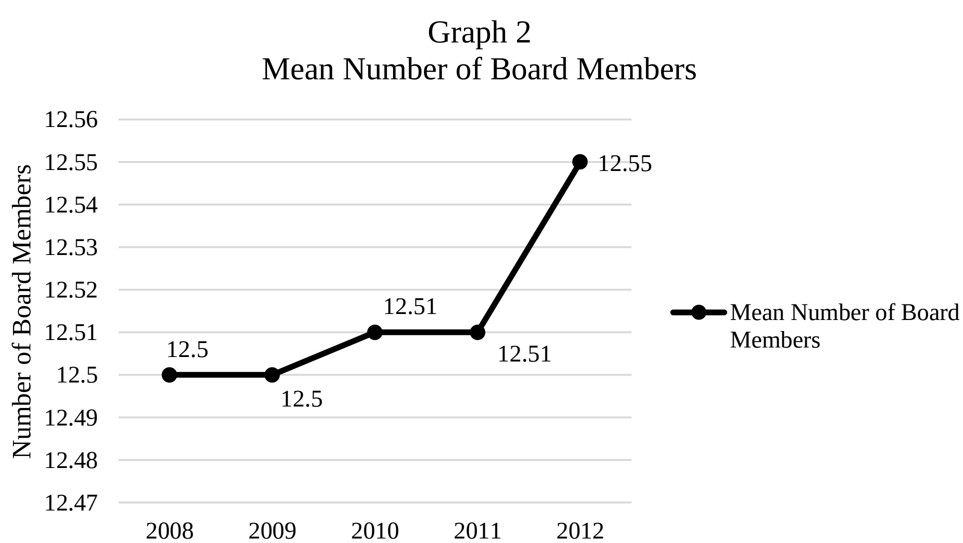
			Correlations		
Measure	M	SD	1	2	3
1. All governance variables	1.22	2.42			
2. Policy governance composite	.51	1.452	.673**		
3. Documentation governance composite	.62	.936	.822**	.309**	
4. Auditing governance composite	.24	.562	.083*	.012	.041

Notes: N= 888; * p < .05, **p < .01, ***p<.001

In order to better understand my data I also looked at the spread of the independent coercive isomorphic variable of total net assets and the control variable, board size for each year of the study. The total net assets variable (Graph 1) shows a gain of total net assets from 2008 to 2011, but a decrease in 2012 is shown. This could be because there is an organization that in 2012 is an outlier and reports a $13,232,608 loss. The control variable, board size showed minimal changes over time (Graph 2). There is a one hundredth of a point increase between 2008 and 2011, with four hundredths of a point increase in 2012. The mean number of board members in 2008 is 12.76 rising to 12.81 in 2012. However, there are several organizations that report 0 board members and two that report 184. This is problematic, because it is a federal requirement that nonprofit organizations have a board of directors. Of the 959 organizations researched, 67 organizations showed an average board size of 0. The mean board size was computed as, the number of board members for ((2008+ 2009+ 2010+ 2011+ 2012)/ 5). Because the statistic showed that there were so many boards that ended up with an average size of 0, I chose to decrease my sample size to include only those boards that had on average one board member. Per federal law, nonprofit organizations are required to have an oversight board in order to operate. This measure of board size could be wrong due to input error, self-reporting error, or simply error in misunderstanding the question. Additionally, I removed the organizations (2) that reported 184 board members, as this was an extreme outlier. Furthermore, when reviewing the total net assets, one organization was removed, because I believed there to be reporting error. At year one they reported -$154,171 total net assets, year two they reported $4,316, and year five they reported $3,183, creating a negative on average total net assets, and therefore I also, could not transform it into a logarithm. Additionally I removed any organization that reported negative mean total net assets.



Note: N= 959



Note: N= 888

Phase One

The multiphase quantitative study starts with the creation of a database including 1000 human service public charity organizations that were randomly selected from all human service organizations in the NCCS core database. This study utilizes a sample of 501c3, human service operating charities in the United States of America. As of 2012, there were over 60,000 organizations classified under the NTEE major code ‘HU’ or human service. This study’s sample size is just under 2% of the reported population. However, human service organizations range from crime and legal related entities to youth development organizations and relief centers. The NTEE code of human service was specifically chosen because of the range of goods and services included under the NTEE code. Additionally, human service organizations were chosen to bound the parameters of the study and initially retrieve research results from one subsector of nonprofit organizations, instead of obtaining a random sample from all nonprofit organizations.

In order to address validity, 1000 organization were chosen to have a large enough sample size to account for missing variables and conduct the regression analysis without worry about the degree of operationalization of the data construct. Data derived from IRS 990 tax forms have been collected and downloaded from Guidestar. Guidestar is a 501c3 organization that gathers and makes publicly available information on IRS registered nonprofit organizations (Guidestar, 2013). The database includes the organization’s Employee Identification numbers (EIN), location of incorporation, age of the organization, total net assets, board size, and questions related to governance practices including Part VI Section A Questions 1a, 1b, 2, 3, 4, 5, 8a, 8b, 9; Part VI

Section B Questions 11a, 12a, 12b, 12c, 13, 14, 15a, 15b, 15; Part IV Section C Questions 18, 20; Part XII Questions 2a, 2b, 2c (Appendix A & Table 2).

Each IRS 990 tax form has been individually read, reviewed, and coded by the researcher. Coding to answers from Part VI and Part XII is in increasing practice of governance; for example, Part VI Question 11 asks, if the governing body reviews the IRS 990 tax form prior to filing, if the organization check yes, they are coded as 1. Answers to the questions are dichotomous, 'yes' or 'no;' coding of these measures are '1' and '0.' Coding was specifically conducted to include '1' to positively identify if a governance policy or practice is being utilized. A '0' represents that the organization does not utilize the governance policy or practice.

Data Mining

The resulting data base includes all of the governance variables on the IRS 990 tax form (Table 2). Each of those 21 variables are coded 0 or 1 in respect to increasing governance. The resulting ordinal variables were then transcribed into an excel data sheet. This process of coding and recording was repeated for the 2008, 2009, 2010, 2011, and 2012 forms, for the 1000 human service organizations. Variables that were additionally extracted from the NCCS data base included total assets, location of incorporation, ruling date for origination of organizations, and number of board members. All of this information, once compiled, resulted in a multi-layer complex data set. As far as I know, this is the only data set that has governance information individually extracted and coded from the IRS 990 tax forms over multiple years. The data was cleaned by matching up the available data per year for each EIN number, making sure there were no duplicates, only using full IRS 990 tax forms, and using only completed tax forms. Once the data was cleaned there were 959 organizations left in the data set. Specifically, the total number of observations decreased once EIN numbers were compared and data was included for each year. For example, I started with 1121 EIN numbers for 2011, which decreased to 1081 when matched to 2012, again decreased to 1073 when matched to information available in 2010, decreasing again to 1061in 2009, and finally resulted to a total number of 1029 observations in 2008. The number further decreased when IRS 990 forms were extracted to include only full IRS 990 tax forms, not EZ forms. This was further reduced because not all organizations completed the governance and auditing sections on the IRS form 990. Therefore, there is an N = 959 in the final data set.

Phase Two

The second part of the study is twofold; first, it includes the use of exploratory factor analysis (EFA). EFA discovers latent variables that exist within a construct. In this instance, the construct is the governance section of the IRS 990 tax form. The second portion of phase two is an explanation and creation of composite variables from the results of the factor analysis.

Factor analysis theory. Factor analysis allows for understanding as to whether there are unobserved or latent variables. Discovering the latent variables is the cornerstone of factor analysis theory (Tucker & MacCallum,1997). Factor analysis theory focuses on the relationship between observed variables and latent variables; the latent variables have systematic influences on the observed variables. The answer to a constructed question yields an observed factor, and that factor is influenced by underlying latent factors. Relationships between observed and latent factors are linear, according to factor analysis theory (Tucker & MacCallum, 1997). Latent variables divide into common factors and specific factors. Common factors are latent variables that have influence over many observed variables. Specific factors are latent variables that are only influencing a specific observed variable. The final variable in factor analysis is the error term or the error of measurement in each initial observed variable. The errors of measurement in factor analysis are additional factors that are not related to any other factor. Instead of confirmatory factor analysis, exploratory factor analysis (EFA) is utilized in this study because I did not want to impose a preconceived structure on the measures of nonprofit governance. Specifically, phase two uses principal component factor analysis (PCA). This technique is used when the data is highly correlated. It was expected and anticipated that the data would be highly correlated throughout this study, because all of the data is directly related to governance policies, practices, and procedures of 501c3 organizations. PCA allows data to sub-divide into smaller sets or groupings. PCA is able to maintain a high level of variance among variables and has been utilized in studies of governance concerning the for-profit sector (Larcker, Richardson, & Tuna, 2007) and in the nonprofit sector (Yetman & Yetman, 2013). In these studies, PCA identified the common variance and unobserved latent variables of governance. In addition, promax rotation is conducted with the governance data for my study, which is preferred over varimax orthogonal rotation, to account for the highly correlated variables.

Interpretation of the factor analysis. The second part of phase two includes interpretation of the derived results from the PCA. After completion of the factor analysis, factors are extracted. The factor analysis results are discussed based on the findings from the review of literature and theory, in order to determine if they coincide with the reasoning behind the 2008 IRS 990 tax form changes and governance best practices. The researcher asks the question: do common variables load together in the factor analysis? In an effort to gain an understanding and form an interpretation of the PCA results. This last step offers the opportunity to determine if the related measures of nonprofit governance have loaded together through the factor analysis. In this study, the use of factor analysis creates a representation of nonprofit governance dimensions that provide direction in further understanding of nonprofit governance and provides the variables utilized in the following phases of data analysis.

Results were anticipated to be in-line with a preliminary study I conducted through my research practicum at James Madison University in the School of Strategic Leadership Studies (2014). This included an exploratory factor analysis of a sample of 508 human service public charities in 2011. The sample did not have gross receipt parameters, since studies into agency problems and governance have previously focused on larger organizations (specifically ones with gross receipts of greater than $1 million) (Yetman & Yetman, 2013). The factor analysis resulted in eight components extracted from the 21 nonprofit governance questions identified. Results indicated that information gathered on the IRS 990 tax form could lead to a better understanding of an organization's governance policies and practices.

Factor Analysis

Factor analysis for each year was conducted (Appendix E, F, G, H, I) resulting in between six and eight extracted components, explaining a cumulative total variance from 64.71-55.10%. The main three extracted components included the following IRS 990 tax form governance questions: Part VI Q8a, Q8b, Q9, Q11, Q12a, Q12b, Q12c, Q13, Q14, Q15a, Q15b and Part XII Q1, Q2a, Q2b. I then repeated the factor analysis to include all of the years combined. For further clarification, the 21 reported governance questions from Part VI and Part XII for 959 organizations, for year 2008, 2009, 2010, 2011, and 2012 were combined into one dataset. A factor analysis was completed on the 21 reported governance measures.

Results (Table 5) showed eight extracted components, derived through a principal component analysis extraction method. The components provided a total explained variance of 64.441%. The top three components explain 38% of total variance (Table 6).

The first extracted component included 12 governance factors, Part VI: Q11, Q12a, Q12b, Q12c, Q13, Q14, Q15a, Q15b and Part XII: Q1, Q2a, Q2b, Q2c. These components explained 24.02% of the variance and had an Eigen value of 5.05. Factors are be based on a .4 factor loading or higher (Larcker, Richardson, & Tuna, 2007; Yetman & Yetman, 2012). The first component includes governance questions such as, written conflict of interest policy, written whistle blower policy, approval of compensations. The auditing questions regarding the organization's having an auditing committee and if financial statements were reviewed by an outside auditor, were also included within this extracted component.

The second extracted component had an Eigen value of 1.71 and explained 8.13% of variance. This component included three governance questions, Part VI: Q8a, Q8b, and Q9. These governance questions included documentation of governing board meetings, documentation of committee meetings, and whether key members of the organization are reachable.

The third extracted component had an Eigen value of 1.44 and explained 6.84% of the variance. This component included three governance questions from Part XII: Q1, Q2a, and Q2b. All of these questions discuss auditing, including having an auditing committee and if financial statements were reviewed by an outside auditor. These factors were also included in the first extracted component. According to factor analysis theory, when factors load onto multiple components, the variables are highly correlated (Tucker & MacCallum, 1997). In the case of my factors, it was expected that they would be highly correlated, as they were all derived from the same form, regarding governance practices in nonprofit organizations and resulting from the need for more transparency and accountability post Sarbanes-Oxley. The third extracted component deals with auditing questions, however, the IRS 990 tax form Part XII: Q1, Q2a, and Q2b factored into two separate components; therefore these questions have been removed from the first component and only kept in the third component, thereby only counting them once.

The results from the factor analysis are used for regression modeling to determine the relationships between the changes in dependent variables and the independent variables.

Table 5
Factor analysis component matrix

	Components							
Factors	1	2	3	4	5	6	7	8
Part VI Q2	.012	.061	.373	.096	-.141	**-.644**	.246	-.134
Part VI Q3	.000	.260	.093	**.656**	.312	.153	.284	-.107
Part VI Q4	-.134	.123	.162	.208	.031	.141	**-.729**	-.261
Part VI Q5	.047	.263	.184	.277	-.187	-.096	.071	.737
Part VI Q8a	.261	**.587**	.187	-.348	-.332	.131	-.005	-.044
Part VI Q8b	.238	**.667**	.196	-.247	-.126	.130	.014	-.104
Part VI Q9	.008	**.513**	.289	.131	.282	.283	.082	.006
Part VI Q11	**.472**	.114	-.062	-.119	-.008	.057	.055	.155
Part VI Q12a	**.698**	.090	-.220	-.014	.097	-.086	-.072	.109
Part VI Q12b	**.657**	.318	-.322	.142	.134	-.330	-.095	-.147
Part VI Q12c	**.674**	.272	-.314	.177	.074	-.327	-.085	-.143
Part VI Q13	**.771**	-.084	-.179	-.014	.041	-.003	-.081	.030
Part VI Q14	**.727**	-.159	-.188	-.082	-.067	.138	-.019	.096
Part VI Q15a	**.747**	-.152	-.044	.177	-.258	.254	.058	-.008
Part VI Q15b	**.617**	-.167	-.066	.257	-.292	.332	.055	.040
Part VI Q18	.236	-.055	-.136	-.267	.311	.198	.503	-.244
Part VI Q20	.176	.077	.000	-.313	**.604**	-.049	-.187	**.400**
Part XII Q1	**.490**	-.265	**.415**	-.007	.075	-.108	-.015	.066
Part XII Q2a	**.551**	-.182	**.513**	.046	.238	.101	-.038	-.118
Part XII Q2b	**.614**	-.372	**.485**	-.066	.070	-.047	-.081	-.005
Part XII Q2c	**.484**	.011	.234	-.140	-.152	-.147	.059	-.158

Notes: N= 4795

Table 6
Policy, Documentation, and Auditing Components

Component	Description	Governance variables
1	Policy	Part VI Questions 11, 12a, 12b, 12c, 13,14, 15a, 15b
2	Documentation	Part VI Questions 8a, 8b, 9
3	Auditing	Part XII Questions 1, 2a, 2b

Note: Top three extracted components from the 2008-2012 factor analysis on 21 governance questions, resulting in 4795 observations.

Composite governance variables. To assess the primary variable of interest, the change in reported governance practices, the top three variables, representing over 30% of the variance, are used in composite as the dependent governance variables. This results in three dependent variables per year (2008, 2009, 2010, 2011, and 2012). The new composite variables are utilized in phase three for trend analysis and t-test. These composite variables are used to create the change variables. These change variables represent changes in reported governance from time one (T1) = 2008 until time five (T5) = 2012. The change variables therefore utilize the following equation: T5- T1= change variable. These change variables are used in the regression models. Descriptive statistics (Table 7), show the three composite change variables (N= 888). The range of the reported governance variables displays the values of reported governance for the sample. The policy governance change variable has a range of -8 to 8 (M= .51, SD= 1.45). The documentation governance change variable has a range of -3 to 3 (M= .62, SD= .94) and the auditing governance change variable has a range of -2 to 2, (M=.24, SD= .56). All of the change variables means are small and standard deviations are large for the sample, meaning there is a large spread of the data.

Table 7
Descriptive statistics for dependent change governance variables

Measure	M	SD	Range Min/ Max	Variance	Skewness Statistic/ Std. Error	Kurtosis Statistic/ Std. Error
All governance variables	1.22	2.42	-19/14	5.85	.69/.08	13.33/.16
Policy governance composite	.51	1.45	-8/8	2.11	2.69/.08	11.28/.16
Documentation governance composite	.62	.94	-3/3	.88	1.13/.08	1.41/.16
Auditing governance composite	.24	.56	-2/2	.32	-.042/.08	.39/.16

Notes: N=888

Phase Three

The third step in the research design includes a trend analysis, t-test, and regression models (Table 8).

Trend analysis utilizes the new composite variables which are plotted yearly to determine if there are changes of reported governance measures over time. Based on this study's foundational theory of coercive institutional isomorphism, it is expected that there is an increasing reported use of the governance policies, practices and procedures. This also directly tests hypothesis H1a:

- H1a: Human service nonprofit organizations will report increasing practices of governance over time.

All of the reported governance variables for each organization are summed for 2008 and then again in 2012. The means of the sum of reported governance measures across all 888 organizations for 2008 and 2012 are compared through a t-test. The t-test offers the opportunity to compare whether two groups have difference average values. In this case, a t-test was chosen in order to determine if there is a statistically significant difference in the mean reported governance variables from 2008 compared to 2012. The t-test further relates to hypothesis H1a, mathematically measuring time one (2008) to time five (2012).

Multiple regression models are the final step of this study. Regression analysis seeks to understand the extent to which nonprofit organizations are changing their reported governance practices. Regression analysis offers the opportunity to determine directionality and determine changes that have occurred over time with respect to multiple variables. Since the data is time series oriented, regression lends itself nicely to the creation of a potential model that would explain changes. In this study, I hypothesize that there will be increasing reports of governance policies, practices, and procedures, and regression will offer the method to discover if this behavior is present. In addition, the second part of my hypothesis states:

- H1b: Human service nonprofit organizations that are larger and older will report more consistent governance practices, thereby exhibiting fewer changes to their reported governance policies and practices over time.

The composite variables for the three strongest extracted components from the factor analysis are used to create the change variables for the regression models. Independent variables, which are derived directly from institutional isomorphism literature, include location, age of the organization, and size. For the purpose of my study, size is operationalized as the total net assets. Board size is taken into consideration and used as a control variable based on the literature review and support that boards in nonprofit organization are responsible for all legal matters. And, research has shown that the optimal board size is 14 members (Board Source, 2003). Location is taken into consideration as an independent variable. The age variable represents the year of the organization's formation. Regression models will be run for all three dependent change variables as well as a full governance change model using the sum of all reported governance practices per year (Table 8 & 9). Regression results are predicted to show changes over time in the reported governance measures, thereby supporting hypothesis H1a, as well as specifically supporting H1b through results that indicate coercive isomorphic changes leading to homogeneity of organizations based on size, age, and location as theorized in institutional isomorphism theory.

Table 8
Phase 3

Statistical Method	Mathematical Description	Description of variables
Trend Analysis	Changes over time aggregate governance variables	Line graph of mean governance practices per year. Computed as sum of governance answers on the IRS 990 tax form per year.
	Changes over time per composite variable	Line graph of mean governance practices per year per composite variables: Policy, Documentation, Auditing
T-test	Comparison over time	Comparison of sum of governance practices reported on the IRS 990 tax form in 2008 compared to 2012
Regression Models	Governance full model	Change DV = T5-T1, for the aggregate sum of all the variables IV = all (size, age, location)
	Composite variables model	Change DV= T5- T1, for Policy, Documentation, Auditing Composite variables IV = all

Note: Phase 3 is the third step in the multi-phase sequential quantitative research design.

Table 9
Variable construction

Variable	Type	Description	Data Source	Source	Expected sign
Independent Control Variable	Size	Number of board members	NCCS Database; IRS 990 tax form, Part VI Line 1a	Nonprofit Governance Literature	Positive/ Negative
Independent Variable	Size	Log of net assets	NCCS Database; IRS 990 tax form, Part 1 Line 22	Institutional Isomorphism Theory	Positive
Independent Variable	Age	Year of formation: (2012- year of formation)	NCCS Database; IRS 990 tax form, Line L	Institutional Isomorphism Theory	Positive
Independent Variable	Location	Region of operation: Northeast, South, West, Midwest; transformed as a fixed effect or dummy codded variable for statistical analysis	NCCS Database; IRS 990 tax form, Line M	Institutional Isomorphism Theory	Positive/ Negative
Dependent Variable	Policy	Part VI Q11, Q12a, Q12b, Q12c, Q13, Q14, Q15a, Q15b	Guidestar.org; IRS 990 tax form	Factor Analysis, extracted component 1, 24% variance	
Dependent Variable	Documentation	Part VI Q8a, Q8b, Q9	Guidestar.org; IRS 990 tax form	Factor Analysis, extracted component 2, 6% variance	
Dependent Variable	Auditing	Part XII Q1, Q2a, Q2b	Guidestar.org; IRS 990 tax form	Factor Analysis, extracted component 3, 7% variance	

Note: N= 959

Overall this study endeavors to understand whether there are changes in reported governance policies and practices over time. Furthermore, the study seeks to offer practical applications for the use of these tax documents for practitioners, partners, and associates of the nonprofit sector. The use of exploratory factor analysis allows for an understanding of the relationship between the asked questions. Trend analysis helps visually to answer if changes have occurred during the study period. The t-test offers a method for understanding the relationship between the means of reported governance at the introduction of the governance questions on the IRS 990 tax form in 2008 and five years later in 2012. And finally, regression offers the method to determining what variables are impacting the changes that have occurred since the implementation of the new reporting practices.

Chapter 4

Results

Results indicate changes in reported governance practices over the five year time period. The sequential, multi-phase, quantitative study yielded interesting results that lend partial support to both Hypotheses 1a and 1b. Results show a positive trend in increasing reported governance practices since the inclusion of the new sections of governance and auditing on the IRS 990 tax form and post Sarbanes-Oxley. The following results section aims to provide a breakdown of the statistical results, while the conclusion section will relate these results to the research question: Is coercive isomorphism changing reported governance practices in human service nonprofit organizations?

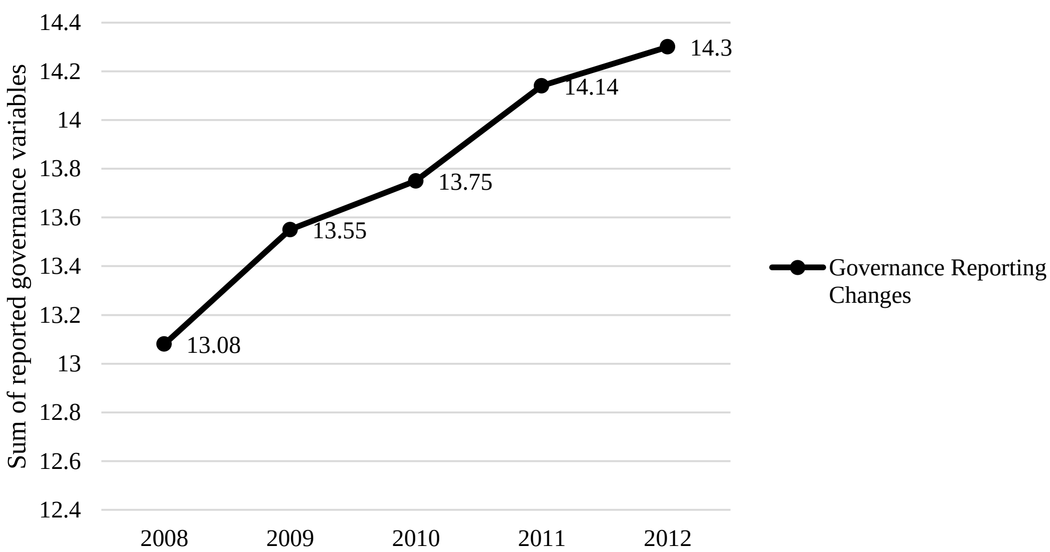
The results section starts at phase three of the research design. Statistical methods include trend analysis, t-test, and regression models. These are followed by robustness testing in order to further find evidence supporting Hypothesis H1b.

Trend Analysis

Trend analysis is used mathematically, as well as visually, to gain a general answer to the research objective, which is: Are there changes occurring in reported governance practices over the 5 year period of study? As expected, trend analysis demonstrates increasing levels of governance between the introduction of the governance sections on the IRS 990 tax form in 2008 and 2012.

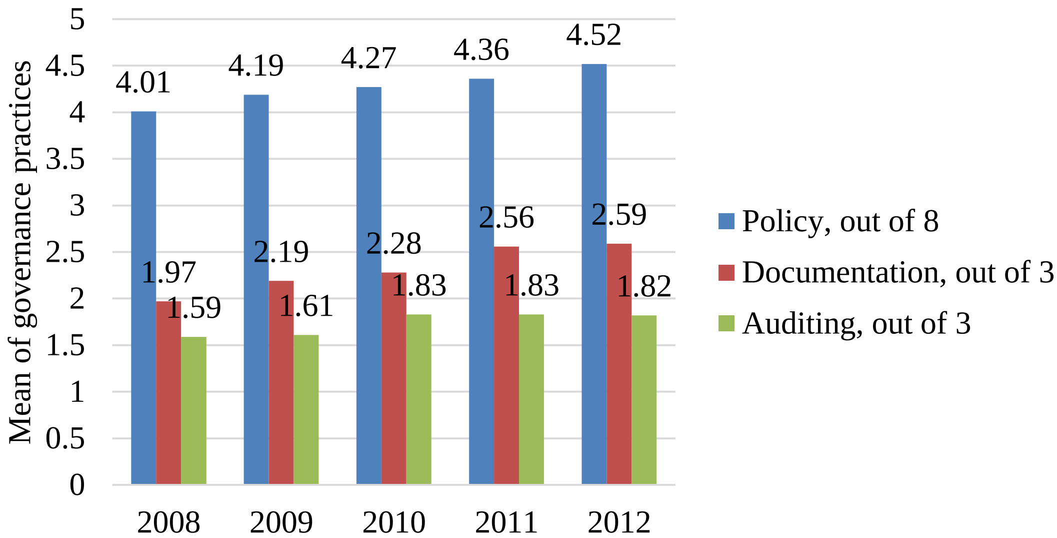
Dependent variables. The dependent variables derived from the governance questions on the IRS 990 tax form were compiled into composite change variables. These variables displayed increasing reported governance changes over time. When considering all of the 21 governance variables, studied over the five-year period, there has been a steady, positive change (Graph 3). Results from the trend analysis also indicated that when the composite component variables were computed for changes over time, the resulting graph indicates a steady increase of reported governance practices. These areas of change over the five year period, are Policy and Documentation, while Auditing has seen a slight, one-hundredth of a point decrease in 2012 (Graph 4).

Graph 3
Reported Governance Changes



Note: N= 888

Graph 4
Changes over time in governance practices



Note: N= 888

T-test

A t-test was conducted to compare the average reported governance practices in 2008 and in 2012 (Table 10). Results indicated statistical significance, (.000, 2-tailed test). This statistical significance indicates whether the difference between the 2008 and 2012 means is likely to represent an actual difference in the populations. Confidence intervals set at 95% resulted in an upper and lower bound of minimal difference. There was a significant difference between 2008 governance reporting (M= 13.08, SD= 4.35) and 2012 governance reporting (M= 14.30, SD= 4.31), t(887)= 89.67, p=.000. These result suggested that there was a difference between 2008 and 2012 reported governance measure and there has been an increase in governance practices from 2008- 2012.

Table 10

T-test, comparison of 2008 reported governance practices with 2012

Measure	M	SD	t	p	95% Confidence Interval Lower/ Upper
Sum of all governance variables 2008	13.08	4.35	89.67	.000***	14.02/14.59
Sum of all governance variables 2012	14.30	4.31	98.90	.000***	12.80/ 13.37

Notes: N= 888; ***p< .001

Regression Models

For the regression models, all organizations that did not demonstrate reported change in governance were removed. When reviewing the data in preparation for the regressions, there were several organizations that on average reported no change in reported governance practices. In the dataset of 888 organizations, a staggering 432 organizations had mean overall reported governance change score of zero meaning on average these organizations reported no changes in their reported governance policies and practices. This says a lot about human service nonprofits organizations. Nearly half of my random sample has not changed their reported governance policies and practices post Sarbanes-Oxley and additionally over a five-year period. Therefore, I decided to remove those organization that had a mean governance change score of zero. This resulted in a new sample size of 456 human service nonprofit organizations. Thereby, taking into account only those organizations that reported on average some changes in governance, I ran four regression models: all reported governance change, reported policy governance change, reported documentation governance change, and reported auditing governance change (Table 11-14). The reported nonprofit governance practices from 2008-2012 are significantly predicted by the control variable, board size (Beta= .04, p= .00) and the coercive isomorphic indicator age of the organization (Beta=.02, p= .07). The overall model fit was R^2=.033, indicating that there are many more indicators that are influencing reported governance changes over time. For the second regression model, I looked at whether the institutional isomorphic indicators were predicting the reported policy governance variables. None of the institutional isomorphic indicators were found to be significant. However, the control variable, board size was significant (Beta= .02, p= .00), overall model fit R^2=.029. The third regression model predicted reported documentation practices, results again indicated only the control variable to be significant, board size (Beta= .01, p= .04). The fourth and final regression model predicted the use of auditing practices. These results were in line with the previous models, however the coefficient for board size is negative, and the p- value is significant but only at the 90%, (Beta= -.00, p= .10).

Table 11

Regression analysis summary for measures predicting changes in all governance variables

Measure	B	Std Err B	β	T	p
1. Mean assets 2008-2012 (log10)	-.25	.21	-.06	-1.23	.22
2. Mean number of board members 2008- 2012	.04	.01	.14	2.99	.00***
3. Age of organization	.02	.01	.09	1.82	.07*
4. Location: Northeast	.01	2.09	.01	.01	.99
5. Location: Midwest	.39	2.09	.06	.19	.85
6. Location: South	.22	2.08	.03	.10	.92
7. Location: West	.56	2.09	.08	.27	.79
Notes: R^2= .033 (N=456) ; *p < .1; **p< .05; ***p< .01					

Table 12

Regression analysis summary for measures predicting changes in policy governance variables

Measure	B	Std Err B	β	T	P
1. Mean assets 2008-2012 (log10)	-.18	.13	-.07	-1.34	.18
2. Mean number of board members 2008- 2012	.02	.01	.13	2.75	.00***
3. Age of organization	.01	.01	.05	1.07	.29
4. Location: Northeast	-.06	1.36	-.01	-.04	.97
5. Location: Midwest	.21	1.36	.05	.16	.88
6. Location: South	-.21	1.35	-.05	-.16	.88
7. Location: West	.15	1.36	.03	.11	.91
Notes: R^2= .029 (N=456) ; *p < .1; **p< .05; ***p< .01					

Table 13

Regression analysis summary for measures predicting changes in documentation governance variables

Measure	B	Std Err B	β	t	p
1. Mean assets 2008-2012 (log10)	-.06	.07	-.04	-.80	.43
2. Mean number of board members 2008- 2012	.01	.00	.10	2.11	.04**
3. Age of organization	.00	.00	.07	1.46	.15
4. Location: Northeast	.58	.71	.24	.81	.42
5. Location: Midwest	.70	.71	.30	.98	.33
6. Location: South	.67	.71	.32	.95	.35
7. Location: West	.75	.71	.32	1.05	.30

Notes: R^2=.021 (N=456) ; *p < .1; **p< .05; ***p< .01

Table 14

Regression analysis summary for measures predicting changes in auditing governance variables

Measure	B	Std Err B	β	t	p
1. Mean assets 2008-2012 (log10)	-.03	.04	-.04	-.72	.48
2. Mean number of board members 2008- 2012	-.00	.00	-.08	-1.68	.10*
3. Age of organization	.00	.00	.07	1.37	.17
4. Location: Northeast	.32	.43	.22	.75	.45
5. Location: Midwest	.14	.43	.10	.32	.75
6. Location: South	.34	.43	.19	.56	.58
7. Location: West	.29	.43	.21	.69	.49

Notes: R^2= .022 (N=456) ; *p < .1; **p< .05; ***p< .01

Robustness Tests

In order to further support and test for robustness, regression models on the full data set, N= 888, were also conducted. Additionally, conducting robustness test on a larger sample allows for further testing to the second part of the hypothesis:

- H1b: Human service nonprofit organizations that are larger and older will report more consistent governance practices, thereby exhibiting fewer changes to their governance policies and practices over time.

Four regression models were conducted with an N of 888. One for each of the three extracted components and a final model for the change in all of the reported governance practices, during the study period (2008-2012). Tables 15-18 present the regression results. Reported nonprofit governance practices from 2008-2012 are significantly predicted by board size (Beta= .02, p= .01). The overall model fit was R^2=.016, once again indicating that there are many more indicators not being taken into consideration. For the second regression model, reporting of policy variables was predicted, and board size was significant (Beta= .01, p= .01), overall model fit R^2=.071. The third regression model predicted reported documentation practices for the nonprofit human service sample. Results indicated no significance in any coercive isomorphic predictors or the control variable. The fourth regression model predicted the use of auditing practices. These results indicated that when predicting reported auditing governance practices, total net assets is a significant negative predictor (Beta= -.05, p=.04), and overall model fit R^2= .021. These overall results were similar with the first set of regression results.

This second set of regression models was conducted to offer a fuller model compared to the first regression models where all of the organizations that reported no changes in their governance practices were removed. The second regression testing allows for a comparison and further supports the initial results. Results from the robustness test that included a larger population were similar among all four models. With this information in mind, it gives more support to the original findings. Moreover, brings to light that there is a good possibility that given an even larger population, the results would hold constant. Results from the all of the regression models, support nonprofit governance literature that states boards are an important and influential part of nonprofit organizations. Regression results indicated that board size was a significant predictor for the use of more reported governance policies and practices.

Table 15
Regression analysis summary for measures predicting changes in all governance variables, full dataset

Measure	B	Std Err B	β	t	p
1. Mean assets 2008- 2012 (log10)	-.18	.11	-.06	-1.59	.11
2. Mean number of board members 2008- 2012	.02	.01	.09	2.76	.01***
3. Age of organization	.01	.01	.06	1.72	.09*
4. Location: Northeast	.19	1.093	.03	.17	.85
5. Location: Midwest	.39	1.091	.07	.36	.72
6. Location: South	.22	1.087	.04	.21	.84
7. Location: West	.50	1.091	.09	.46	.65

Notes: R^2= .016 (N=888); *p < .1; **p< .05; ***p< .01

Table 16

Regression analysis summary for measures predicting changes in policy governance variables, full dataset

Measure	B	Std Err B	β	t	p
1. Mean assets 2008-2012 (log10)	-.12	.07	-.06	-1.78	.08*
2. Mean number of board members 2008- 2012	.01	.01	.09	2.76	.01***
3. Age of organization	.00	.00	.04	1.01	.31
4. Location: Northeast	.05	.66	.01	.07	.95
5. Location: Midwest	.19	.66	.06	.29	.78
6. Location: South	-.07	.65	-.02	-.11	.92
7. Location: West	.16	.66	.05	.25	.80
Notes: R^2= .017 (N=888); *p < .1; **p< .05; ***p< .01					

Table 17

Regression analysis summary for measures predicting changes in documentation governance variables, full dataset

Measure	B	Std Err B	β	t	p
1. Mean assets 2008-2012 (log10)	-.05	.04	-.04	-1.15	.25
2. Mean number of board members 2008- 2012	.01	.00	.06	1.74	.08*
3. Age of organization	.00	.00	.05	1.28	.20
4. Location: Northeast	.35	.43	.15	.83	.40
5. Location: Midwest	.41	.42	.19	.97	.33
6. Location: South	.36	.42	.18	.86	.39
7. Location: West	.45	.42	.20	1.06	.29
Notes: R^2=.009 (N=888); *p < .1; **p< .05; ***p< .01					

Table 18
Regression analysis summary for measures predicting changes in auditing governance variables, full dataset

Measure	B	Std Err B	β	t	p
1. Mean assets 2008-2012 (log10)	-.05	.03	-.07	-2.03	.04**
2. Mean number of board members 2008- 2012	-.00	.00	-.06	-1.87	.06**
3. Age of organization	.00	.00	.03	.96	.34
4. Location: Northeast	.3	.25	.23	1.28	.20
5. Location: Midwest	.16	.25	.12	.65	.52
6. Location: South	.24	.25	.20	.94	.35
7. Location: West	.30	.25	.22	1.17	.24

Notes: R^2= .021 (N=888); *p < .1; **p< .05; ***p< .01

Categorization of reported governance. Further robustness tests were conducted on the group of human service nonprofit organization who reported no changes in their reported governance policies and practices over the five year period. There were 432 organizations who reported no changes in their governance policies and practices (Table 19) between 2008 and 2014. This sample was broken down into two groups, based on their reported governance practices from the 21 variables listed on the IRS 990 tax form. Groups exhibiting high reported governance (reported governance of greater than 10) and those who reported low governance (less than or equal to 10) were formed. Interestingly, out of the organizations that reported no changes in their governance practices, 344 out of 432 were categorized into the high governance group (Table 20) and 123 into the low reported governance category (Table 21). This means that 344 organizations reported 11 or more governance policies and practices over the five year period. Conclusions can be drawn from this smaller sample that organizations were already potentially practicing multiple forms of governance prior to the introduction of the governance section on the IRS 990 tax form in 2008. This could also provide support against coercive institutional isomorphism occurring in human service nonprofit organizations, because they were already practicing many of the newly reported governance policies. In other words, 344 human service nonprofit organizations did not change their reported governance practices as a result of the new questions on the IRS 990 tax form.

Table 19

Descriptive statistics for organizations that reported no change in governance policies and practices

Measure	M	SD	Range Min/ Max	Skewness Statistic/ Std. Error	Kurtosis Statistic/ Std. Error
Age	26.05	15.25	3/78	.98/.12	.61/.23
Total net assets (log10)	5.87	.69	4.49/7.08	-.14/.12	-.66/.23
Notes: N=432					

Table 20

Descriptive statistics for organizations that reported no change in governance practices, high category

Measure	M	SD	Range Min/ Max	Skewness Statistic/ Std. Error	Kurtosis Statistic/ Std. Error
Age	26.15	15.13	4/78	1.05/.14	.88/.28
Total net assets (log10)	5.94	.64	4.50/7.08	-.11/.14	-.54/.28
Notes: N=309					

Table 21
Descriptive statistics for organizations that reported no change in governance practices, low category

Measure	M	SD	Range Min/ Max	Skewness Statistic/ Std. Error	Kurtosis Statistic/ Std. Error
Age	25.79	15.61	3/66	.82/.22	.33/.43
Total net assets (log10)	5.71	.78	4.50/7.08	.02/.22	-.99/.43
Notes: N=123					

T-tests. T-tests were conducted in order to statically understand if there was a significant difference between the high and low governance groups, based on the coercive isomorphic indicators age and total net assets (Table 22 & 23). Results indicated statistical significance, (.000, 2-tailed test) for both age of the organization and total net assets of the organization. This statistical significance indicates there is a difference between the high and low reported governance groups based on the isomorphic indicators of age and size (total net assets). Confidence intervals set at 95% resulted in an upper and lower bound of minimal difference. There was a significant difference between the mean age of the high and low reported governance groups, $t(308)= 30.38$, $p=.000$. Significant results were also indicated between the mean total net assets of the high and low reported governance groups, $t(308)$, $p=.000$. These result support hypothesis H1b; larger and older nonprofit human service organizations reported higher levels of governance.

Table 22

T-test, comparison of high/ low reported governance groups mean age

Measure	M	SD	t	p	95% Confidence Interval Lower/ Upper
Mean age of high governance group	26.15	15.13	30.38	.000***	24.46/ 27.85
Mean age of low governance group	25.79	15.61	18.33	.000***	23.00/ 28.57
Notes: N= 432; ***p< .001					

Table 23

T-test, comparison of high/low reported governance groups mean total net assets

Measure	M	SD	t	p	95% Confidence Interval Lower/ Upper
Mean total net assets (log10) of high governance group	5.94	.64	163.37	.000***	5.87/ 6.01
Mean total net assets (log10) of low governance group	5.71	.78	81.53	.000***	5.57/ 5.85
Notes: N= 432; ***p< .001					

Chapter 5

Discussion

The statistical analysis of the reported governance practices from the IRS 990 tax form indicate that there have been increases in reported governance policies and practices in human service nonprofit organizations since the introduction of the new governance sections in 2008. The factor analysis offered the avenue to codifying the variables from the IRS 990 governance sections. The extracted components supported the literature and theory review based on nonprofit governance. The trend analysis visually showed the changes of reported governance policies and practices over time. The results provided support to hypothesis H1a: Human service nonprofit organizations will report increasing practices of governance over time. In order to follow up in these results, a t-test was conducted. Results indicated that there was a significant difference in 2008 and 2012 reported governance practices. The t-test results offered further support for H1a. Therefore, it can be concluded that there are increasing practices of reported governance in nonprofit human service organizations since the 2008 change in the IRS 990 tax form, which was initially prompted by the 2002 Sarbanes-Oxley Act.

Regression results were conducted to determine if specific coercive isomorphic indicators directly related to changes in reported governance practices. Results revealed the control variable board size, and the coercive isomorphic indicators of age and total net assets as significant predictors. The age of an organization and the mean total net assets had minimal support revealed through the robustness regression models. However, the control variable, board size, was the only significant predictor across both the initial regression models and the robust regression models.

Findings within this dissertation study indicate further support to the previous research that board size influences organizational decision making. As seen through the regression models, the size of the board significantly relates to changes in reported governance practices in the human service nonprofit subsector. Per federal guidelines, all nonprofit organizations are required to have boards of directors. Whether this was put into place as an oversight mechanism or in an advisory role, this study as well as previous studies provide support that all nonprofits need to have boards and that these boards significantly impact the organizational environment. Mean board size for this study was 12.37 with a standard deviation of .35, signifying that there is little spread of the number of board members across the sample size of 888. This study is in alignment with the previously research on the optimal board size of 14 members (Ostrower, 2006). The optimal board size of 14 members was derived from studies that researched communication, team dynamics, and the ability to come to consensus on issues. Additional studies related to board size indicate that it has a curvilinear relationship with governance, specifically focusing on decision-making, communication, team development, and task-orientation. In this dissertation, I used board size as a control variable because of the importance of boards in nonprofit organizations. Further, this study did not discuss or research effectiveness, capacity, or efficiency; therefore, conclusions cannot be drawn to the relationship between boards and reported use of governance mechanisms. And it is not the intent of this dissertation to give results that imply larger boards are better boards or that larger boards lead to better governance. Nor does more governance equal better governance. Therefore, it is imperative for readers of this dissertation to understand that board relationships are not linear, but rather can be depicted through a parabola. And there could be a point of diminishing returns related to board size and decision making. Overall, it is evident that the board is an influential component to the leadership of nonprofit organizations. The board makes oversight decisions and guides the organization based on their mission and vision, but more board members does not yield better leadership, just as more governance does not mean better governance.

Through the continued testing of hypothesis H1b: Human service nonprofit organizations that are larger and older will report more consistent governance practices, thereby exhibiting fewer changes to their governance policies and practices over time. Robustness test, in the form of t-tests, were completed. Results indicated a statistically significant difference between the means of age and total net assets of organizations reporting no changes in their governance practices in two different t-tests, between groups of high and low governance. Results supported coercive institutional isomorphic theory that organizations who are more mature and are larger (based on total net assets) are less likely to change practices over time. Results could be understood as organizations that are older and larger are more stable and secure in their environment, therefore environmental changes are not having as much of an effect on them as newer and smaller nonprofit organizations. This directly ties to organizational theory, specifically environmental ecology, through the liability of newness and liability of smallness, stating that smaller organizations have a lower capacity, they are unable to make as many changes or provide as many responses because of environmental triggers (Hannan & Freeman, 1977:1984; Singh & Lumsden, 1990). Furthermore, there could be an argument made that older organizations exhibit a hierarchical structure and house a higher level of capacity, compared to smaller organizations; therefore, these organizations have policies and procedures in place to gather needed information and make an informed supported decisions. Liability of smallness and liability of newness theories purport that smaller organizations have lower capacity ability and have a tendency to make quick uninformed decisions that need to be amended or overturned (Poole & Van de Ven, 2004). Furthermore, smaller and newer organizations potentially do not have the maturity or organizational ability to recognize or pick up on coercive signals as quickly and in as much of a timely manner as their larger and older counterparts.

Limitations

There was not an already constructed and verified database with IRS 990 tax form data for Part VI and XII, prior to this study. This made it difficult and increased the error term. Not only did I hand code each and every Part VI and Part XII for 1000 organizations over a five year period, but I also input those individually into an excel data sheet. Therefore, one of the major limitations to this study and points of concern is the potential researcher error. Further limitations exist in that data itself. Since this is self-reported data, there could be a case for box checking and/or misunderstanding of the questions. Previous research and publications alluded to the notion that nonprofit organizations were not completing the IRS 990 tax form’s new section because of lack of proper education and information regarding those new sections (Guidestar, 2009; Independent Sector, 2010). Organizations might feel compelled to respond affirmatively to the governance questions which would also bias the data towards higher governance levels.

Another limitation concerns the variable construction. When constructing the change variables, I had to take ordinal variables, those coded zero and one and aggregate them to create the change variables. This was the only way to run a linear regression. When aggregating the variables, there is a loss of information. You cannot decipher each variable component for itself; meaning that when you combine or aggregate multiple variables into a composite variable you are unable to parse out further information from within that new composite variable. Therefore, the model was not able to detect specific changes based on individual questions related to the IRS 990 tax form. In addition, when aggregating the numbers, and computing time five (T5)- time one (T1), there is another potential loss of information. An organization could end up showing no changes when they actually increased or decreased their reported governance, however this was accounted for in the follow-up analysis.

Generalizability

A randomized sample of 501c3, human service operating charities in the United States of America, derived from the NCCS core dataset, which is a nationally recognized database, was utilized in this study; therefore, this study is generalizable to the nonprofit human service sector. As of 2012, there were over 60,000 organizations classified under the NTEE major code ‘HU’ or human service. The study’s sample size included nearly 2% of the reported population. Human service nonprofit organizations include criminal and legal entities, youth development organizations, and relief centers. The NTEE code of human service was specifically targeted because of the range of goods and services included under this code. Results from this study focus on leadership as seen through the board of directors of nonprofit human service organizations. This study is replicable and easily transferable to another nonprofit sub-sector. Furthermore, even though this study utilized an organizational level of analysis, the individual nonprofit executive director and the nonprofit board president can relate to the overall message of the results: coercive isomorphic forces have the ability to change reporting behavior. Whether or not they actually change root governance behaviors is still open to questions. Furthermore, the IRS 990 tax form can be used to understand an organization and the questions presented in the governance section can be used to learn more about an organization. These results are informative to the general public, in understanding that there are increasing reported use of governance policies and practices thereby potentially increasing the transparency and accountability of the nonprofit sector.

Conclusion

The results from this study have implications for leadership in the nonprofit sector as understood through reported governance practices. Not only was information utilized that was publically available, it was utilized in a manner that has not been done before. Results are in alignment with coercive institutional isomorphism theory and nonprofit governance literature. It was found that the coercive isomorphic indicators of age and total net assets are significant in predicting changes in nonprofit governance reported practices. Additionally, the control variable of board size was found to have a significant impact on reported nonprofit governance policies and practices according to the IRS 990 tax form. As discussed in the literature review, coercive institutional isomorphism theory was originally founded, researched, and tested on the for-profit sector. Though over time studies have applied institutionalism to the nonprofit sector (Cornforth & Brown, 2014; Cornforth, 2011), it is not as common of a scholarly occurrence. Therefore, in addition to the results yielded through my quantitative dissertation, the research designed supported and guided through coercive institutional isomorphism is a positive contribution to the nonprofit scholarly community.

Results suggest that there are changes occurring in reported governance practices in the nonprofit sector, but the test models clearly present evidence that there are variables not being accounted for. What are these variables? Are they unique to the human service sector of operating charities in the United States or are there other influences impacting the nonprofit sector in general? This dissertation clearly uncovered that there were changes, suggesting the use of more governance policies and practices in nonprofit human service organizations post Sarbanes-Oxley. However, the exact cause or effect has yet to be determined.

These results indicate that there is evidence of an increased usage of reported governance policies, practices, and procedures since the 2002 Sarbanes-Oxley Act and the implementation of the new IRS 990 tax form questions. This is understood through the IRS 990 tax form’s governance questions. Results from this study have the ability to assist nonprofit leadership, specifically nonprofit boards and nonprofit practitioners. There are over 1.4 million 501c3 social benefit organizations operating in America. It is the increasing task and challenge of researchers to become familiar with and to utilize all available data to assist nonprofit practitioners. This dissertation offers an understanding of the new governance questions on the IRS 990 tax form related to changes in reported practices in human service nonprofit organizations. As seen in this study, through the completion of a factors analysis, results indicated that the IRS 990 tax form Part VI and Part XII questions were in alignment with purported governance best practices: policies and procedures, documentation of meetings, and the use of auditing committees. These further relate to essential components of organizational leadership: policies, documentation, communication, and board meeting practices.

The results from this study are available to assist the seasoned practitioner, the new nonprofit director, government agencies, and other regulatory bodies. This provides an understanding and evidence that nonprofit organizations are not in limbo, but rather are continually changing and passion driven organizations. This shows that they are affected, in one or another, by their organizational environment. However, this also means that organizations need to be aware of their external environments. Organizational change theory presents the foundation for understanding that the organizational environment is influential to organizational decisions. Through adaption to the environment, selection of the specific type of environment you want to reside in, or embeddedness into the environment, it is essential that organizations learn to work with and for their surroundings. Therefore, it is the responsibility of the organizational leaders to understand what types of coercive measures they may want to consider, recognize, and potentially avoid. These could include understanding the economic and socioeconomic region the organization operates in or being connected to the public sphere and paying attention to new rules and regulations at the state level. Through the results of this study that supported Hypothesis H1b, coercive isomorphic indicators of age and total net assets are significant indicators of change. Organizations need to be aware of their mission, vision, values, and understand their organizational maturity. When focusing on potential influences that might be coercive, it is imperative for organizations to have by-laws and understand their decision making processes, in order to not make knee jerk reactions to their environmental changes.

Furthermore, it has been the objective of this research, to utilize data, via statistical representation, and represent how it applies to the practitioner. Hypothesis H1a, was supported and organizations were found to positively report usage of more governance policies, practices, and procedures over time. Support was found for hypothesis, H1b: Human service nonprofit organizations that are larger and older reported more consistent governance practices, thereby exhibiting fewer changes to their governance policies and practices over time. Age and total net assets were found to be significantly different, through the robustness t-test, when the organizations were classified into high and low reported governance categories. This lends support that larger and older organization are more stable.

However, when the initial regression models were conducted, age and total net assets were not found to be significant indicators. This could lend support to the advancement and development of smaller and newer nonprofit organizations. Perhaps these new and therefore less experienced nonprofit organizations are starting on a better more knowledgeable level or more secure footing or understanding than their predecessors. This could be due to many factors, most of which need to be asked through interviews and a qualitative study. However, the most prominent factor may be that the new nonprofit organizations are being formed with more informed and knowledgeable leaders. This dissertation does not delve into individual leadership or motivation to lead, but it could be that nonprofit leaders are coming to nonprofits with more experience than in the past or that the formation of new nonprofits are being completed and carried out by more seasoned professionals. This would be a great future research line, seeking to understand the different education and experience levels of executive directors and staff members, compared to isomorphic institutional indicators.

Nonprofit organizations, as researched throughout this study, were found to have elements of conformity. However, this was only evident when measuring the reported practices of governance on an aggregate scale. Based on the literature and the theoretical framework, conformity leads to a higher level of public perceived legitimacy. Though results confirmed my hypotheses, research results are not generalizable to the entire nonprofit sector, since I only studied human service nonprofit organizations. However, it would be useful for this study to be replicated in other nonprofit sub-sectors. Furthermore, there needs to be replicate studies that are able to offer a continuation of this line of inquiry to further track and report changes over time.

Implications

Leadership in the American nonprofit sector has many influences and results from this research are twofold, both aimed to allow for practitioner understanding as well as a strong contribution to the scholarly community. The need for results to be available, comprehensible, and interpretable for the nonprofit leader is crucial. Not only do research results yield a better and more widespread understanding of the nonprofit field, but also research supported practices aid the nonprofit director in securing grants, increasing acceptability, and substantiating and maintaining best practices. The research design, literature reviewed, foundational theory support, and the discussion offer a strong base for comprehensive understanding. Additionally, my endeavor to gather data from IRS 990 tax forms and then code it into a comprehensible and manageable format provided a basis for continued coding of this data. If complete data from the IRS 990 tax forms was coded and made available through databases such as The Urban Institute's NCCS system, scholarly researchers would then have access and the ability to confer multiple theories and best practices. Furthermore, availability of any data from the nonprofit sector helps to increase know-how and to support nonprofit leaders.

Specifically, results that indicated support for board size as an indicator are crucial to the overall nonprofit sector. Choosing the right board, the most knowledgeable boards, and the board that fits with the organizational mission is imperative for nonprofit practitioners. Through this study, result indicated the significance of boards as an influential contributor to reported governance change over five years. Previous studies have expanded on the overall significance of boards and board members (Gill, Flynn, & Reissing, 2005; Ostrower & Stone, 2006; Cornforth, 2011). Implications from this study related to boards and there overall impact as an indicator of change add a contribution to the nonprofit scholarly research field as well as assist the practitioner in understanding the importance of boards.

Future Research

My dissertation lays the groundwork for multiple future studies, as well as my own research agenda. I plan to continue to research nonprofit organizations throughout my academic tenure. As an organizational leadership scholar, I have situated my research interest completely within the nonprofit sector. The foundation that my dissertation establishes is an incredible help and asset to my research career. A few lines of inquiry that I hope to carry out over the next few years include a qualitative examination of the results offered through this study. I anticipate conducting interviews with nonprofit directors and their board presidents, attempting to follow-up on the IRS 990 tax form reported governance policies, practices, and procedures. Additionally, it would be a unique and stand-alone mixed methods endeavor to survey nonprofit organizations that report having an audit committee and discuss the use of an independent auditor verses an in-house audit. Other lines of inquiry include broadening the scope of this research design, to include more of the nonprofit sector in order to offer more cross sectional insights and generalizability. Other researchers might take up the challenge to find relationships between objective economic measures and reported policies and practices, such that there might be connections between grant awards, government support, or even compensations and reported governance practices. Other lines of inquiry could delve into a philanthropic lens, offering an understanding if agencies who report more or consistent use of governance mechanisms received larger or more stable funding streams.

My main research agenda, post dissertation, is to advocate and promote the use and inclusion of publically available data to nonprofit researchers and practitioners. I intend to continue collecting 501c3 IRS 990 tax form data and adding to my database. However, I believe that data such as this should be available, at no cost, to the masses. This is especially true, if this data will help strengthen the nonprofit field, as shown to be the case in the conclusion of my dissertation.

Conclusion Summary

This study focused on nonprofit leadership as seen through the reported governance in social benefit organizations in the United States. Results in this study are helpful to nonprofit organizations. As depicted in the trend analysis the changes included on the IRS 990 tax form have an influence on the reported governance measure being carried out by human service nonprofit organizations. Key findings of this dissertation study reflect support of the hypotheses, that nonprofit organizations are exhibiting increased reported governance practices since governance questions were added to the IRS 990 form in 2008. Older and larger human service nonprofit organization report more consistent use of governance practices, indicating coercive isomorphism, imposed by the new forms, are influencing reporting behavior. With continued availability of data sources and constructed databases, the arena of nonprofit sector research will hopefully expand exponentially. This will further lead to better informed evidence-based best practices.

Endnotes

[i] The creation and establishment of an over-arching Public Company Accounting Oversight Board (PCAOB), under the Security and Exchange Commission (SEC), was a product of the Act. The PCAOB's purpose is to oversee the activities of the auditing profession.

[ii] Historically, resource dependency theory (Pfeffer & Salancik, 1978), agency theory, and institutional theory (DiMaggio & Powell, 1983) are used to understand nonprofit governance. Recent literature notes the need to combine theories and apply a more multi-disciplinary view to the overall nonprofit sector, and particularly nonprofit governance (Cornforth, 2004; Ostrower & Stone, 2010). To address the shortcomings in research, scholars offer combined theory approaches, with perspectives from various disciplines. As noted previously, resource dependency theory and institutional theory were among the most frequently used single-dimensional theoretical approaches. Guo and Acar (2005) combined those two theories with network theory to understand formal and informal collaborations. Results indicated that multiple environmental factors influence forms of collaboration. In 2011, Jegers and Wellens also combined resource dependency theory with institutional theory, while incorporating the literature on participatory governance practices. Jegers and Wellens' study focused on offering guidelines pertaining to beneficiaries of nonprofit organizations, specifically discussing how benefactors should be involved regarding governance and policy. There have been attempts to utilize a combined methodology. Cornforth and Brown attempted to raise issues related to the varied co-modeling of multiple theories to fill informational gaps to shed further understanding on particular practices within the field.

Appendix A

IRS 990 Tax Form Part VI & Part XII

Form 990 (2014) Page **6**

Part VI **Governance, Management, and Disclosure** *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

Check if Schedule O contains a response or note to any line in this Part VI . . . . ☐

Section A. Governing Body and Management

		Line	Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . **1a** ___ If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.			
b	Enter the number of voting members included in line 1a, above, who are independent . **1b** ___			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?	**3**		
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	**5**		
6	Did the organization have members or stockholders?	**6**		
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	The governing body?	**8a**		
b	Each committee with authority to act on behalf of the governing body?	**8b**		
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		

Section B. Policies *(This Section B requests information about policies not required by the Internal Revenue Code.)*

		Line	Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**		
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	**12a**		
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	**12b**		
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	**12c**		
13	Did the organization have a written whistleblower policy?	**13**		
14	Did the organization have a written document retention and destruction policy?	**14**		
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	**15a**		
b	Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).	**15b**		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	**16a**		
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	**16b**		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.

☐ Own website ☐ Another's website ☐ Upon request ☐ Other *(explain in Schedule O)*

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, address, and telephone number of the person who possesses the organization's books and records: ▶

Form **990** (2014)

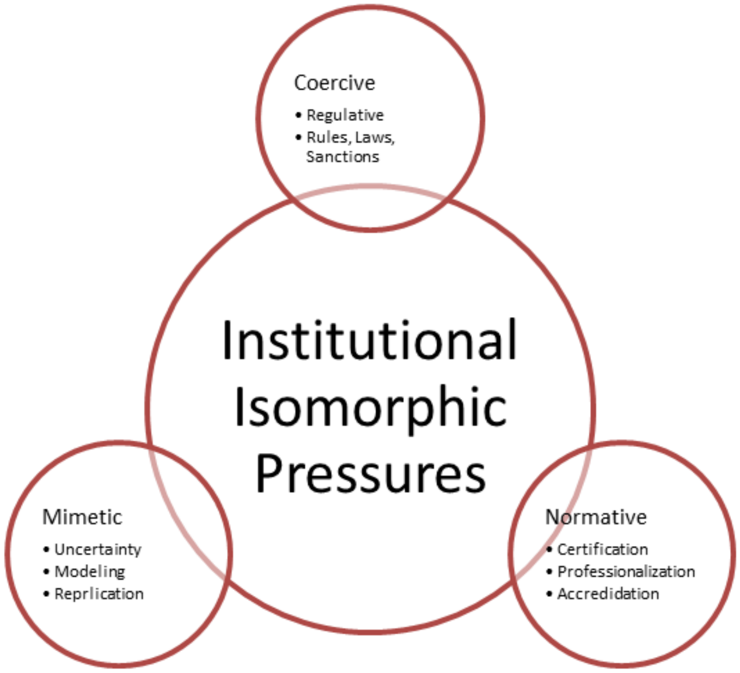
Part XII **Financial Statements and Reporting**

Check if Schedule O contains a response or note to any line in this Part XII . . . . ☐

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☐ Accrual ☐ Other ______ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . . .	2a		
	If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b		
	If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c		
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	3b		

Appendix B

Institutional Isomorphism diagram



Appendix C

Winsorization equation

```
FREQUENCIES VARIABLES Meanassets2008_2012log10 /format = notable /
PERCENTILES = 5 95.


COMPUTE winsor_assets = Meanassets2008_2012log10.

if  Meanassets2008_2012log10 <=4.49355 windsor_assets= 4.49355.

if  Meanassets2008_2012log10 >=7.07552 windsor_assets= 7.07552.
```

Appendix D: Correlation of independent variables, entire dataset

Means, standard deviations, and correlations of independent variables, entire dataset

			Correlations					
Measure	M	SD	1	2	3	4	5	6
1. Mean assets 2008-2012 (log10)	5.833	.798						
2. Mean number of board members 2008- 2012	11.87	13.230	.123**					
3. Age of organization	29.92	92.096	.004	-.002				
4. Location: Northeast	.21	.410	.064*	-.040	-.017			
5. Location: Midwest	.23	.421	.002	-.017	-.285**	-.285**		
6. Location: South	.33	.469	-.039	.095**	-.363**	-.379**	-.379**	
7. Location: West	.23	.418	-.018	-.048	-.282**	-.295**	-.375**	-.375**

Notes: * p < .05, **p < .01. (N=958)

Appendix E: Factor Analysis 2008

Factor analysis, extracted component matrix, 2008							
Components							
	1	2	3	4	5	6	7
Factors							
Part VI Q2	.003	-.027	.304	.294	**.547**	-.348	-.163
Part VI Q3	.004	.200	.030	**.690**	.012	.357	.050
Part VI Q4	-.112	.157	.128	.279	-.316	.305	-.320
Part VI Q5	.074	.350	.170	.143	.050	-.201	**.679**
Part VI Q8a	.258	**.593**	.287	-.293	-.162	-.149	-.110
Part VI Q8b	.247	**.633**	.275	-.214	-.096	-.099	-.196
Part VI Q9	.012	**.520**	.336	.055	-.120	.280	.076
Part VI Q11	**.482**	.135	-.050	-.130	.062	.041	.110
Part VI Q12a	**.750**	.145	-.241	.046	.178	.039	.041
Part VI Q12b	**.708**	.297	-.284	.188	.240	-.026	-.157
Part VI Q12c	**.708**	.267	-.274	.218	.200	-.086	-.146
Part VI Q13	**.765**	-.102	-.154	-.043	.029	.022	-.006
Part VI Q14	**.721**	-.142	-.182	-.149	-.111	-.012	.087
Part VI Q15a	**.727**	-.125	-.062	.107	-.395	-.138	.078
Part VI Q15b	**.602**	-.118	-.105	.160	**-.486**	-.112	.143
Part VI Q18	,237	-.059	-.189	-.269	.078	**.413**	-.261
Part VI Q20	.214	.142	-.022	-.325	.324	**.473**	.323
Part XII Q1	**.483**	-.283	.383	-.010	.118	.071	.147
Part XII Q2a	**.534**	-.304	**.476**	.101	.010	.254	-.061
Part XII Q2b	**.588**	-.393	**.486**	-.031	.040	.071	.025
Part XII Q2c	**.484**	-.082	.297	.091	.037	-.230	-.288

Appendix F: Factor Analysis 2009

Factor analysis, extracted components matrix, 2009						
	Components					
	1	2	3	4	5	6
Factors						
Part VI Q2	-.004	.046	.378	.090	**.333**	**-.530**
Part VI Q3	.016	.305	.103	**.576**	.206	.305
Part VI Q4	-.140	.156	.165	.140	.084	**.484**
Part VI Q5	.050	.269	.215	**.418**	-.120	-.303
Part VI Q8a	.230	**.541**	.277	-.298	-.383	-.125
Part VI Q8b	.203	**.629**	.257	-.235	-.213	-.034
Part VI Q9	-.040	**.436**	.342	.027	.026	.364
Part VI Q11	**.467**	.152	-.016	-.145	-.074	-.032
Part VI Q12a	**.718**	.179	-.217	-.007	.131	-.036
Part VI Q12b	**.691**	.348	-.292	.078	.318	-.074
Part VI Q12c	**.587**	.290	.290	.111	.291	-.119
Part VI Q13	**.770**	-.065	-.178	.019	.014	.024
Part VI Q14	**.726**	-.133	-.189	-.053	-.173	.018
Part VI Q15a	**.724**	-.134	-.054	.217	-.316	.057
Part VI Q15b	**.612**	-.130	-.079	.304	.387	.124
Part VI Q18	.234	-.019	-.139	-.370	-.042	.292
Part VI Q20	.192	.069	.001	-.356	**.486**	.183
Part XII Q1	**.487**	-.288	.382	.031	.082	-.012
Part XII Q2a	**.553**	-.243	**.485**	-.019	.131	.229
Part XII Q2b	**.615**	-.365	**.460**	-.047	.072	.013
Part XII Q2c	**.514**	-.105	.257	-.124	.031	-.162

Appendix G: Factor Analysis 2010

Factor analysis, extracted components matrix, 2010						
Components						
	1	2	3	4	5	6
Factors						
Part VI Q2	.009	.112	.420	.070	-.223	**-.503**
Part VI Q3	-.003	.370	.108	**.557**	.217	.208
Part VI Q4	-.148	.160	.156	.133	.238	.312
Part VI Q5	.000	.263	.254	**.492**	-.258	-.213
Part VI Q8a	.184	**.563**	.179	-.386	-.378	.160
Part VI Q8b	.198	**.656**	.161	-.292	-.128	.091
Part VI Q9	-.073	.374	.252	.041	**.422**	.291
Part VI Q11	**.468**	.119	-.059	-.119	-.074	.013
Part VI Q12a	**.713**	.128	-.237	.045	.033	-.099
Part VI Q12b	**.672**	.322	-.329	.123	.164	-.248
Part VI Q12c	**.689**	.261	-.312	.151	.120	-.255
Part VI Q13	**.773**	-.045	-.176	.002	.024	.027
Part VI Q14	**.724**	-.147	-.170	-.058	-.123	-.125
Part VI Q15a	**.745**	-.158	-.015	.177	-.207	.268
Part VI Q15b	**.608**	-.172	.021	.279	-.247	.349
Part VI Q18	,250	-.019	-.158	-.357	.163	.201
Part VI Q20	.178	.043	-.036	-.167	**.539**	-.319
Part XII Q1	**.493**	-.228	**.424**	.052	.082	.099
Part XII Q2a	**.568**	-.122	**.484**	-.070	.275	.123
Part XII Q2b	**.630**	-.274	**.474**	-.093	.120	-.043
Part XII Q2c	**.511**	-.022	.284	.158	-.080	-.156

Appendix H: Factor Analysis 2011

Factor analysis, extracted component matrix, 2011								
Components								
	1	2	3	4	5	6	7	8
Factors								
Part VI Q2	.012	-.050	.267	**.462**	**.403**	.212	**.428**	-.080
Part VI Q3	-.020	.267	.307	**-.440**	.312	.317	-.205	-.044
Part VI Q4	-.154	-.093	.090	.302	.120	-.290	-.438	.414
Part VI Q5	.055	-.052	.230	.011	.238	.202	**.417**	**.632**
Part VI Q8a	.293	**.515**	.017	.530	-.310	.128	-.044	.009
Part VI Q8b	.241	**.690**	.227	.210	-.253	-.016	-.088	-.051
Part VI Q9	-.003	**.462**	**.495**	**-.421**	.044	.006	.086	.123
Part VI Q11	**.474**	.076	-.036	.025	-.148	.229	.115	.271
Part VI Q12a	**.678**	-.023	-.078	-.081	-.168	-.041	.131	.190
Part VI Q12b	**.574**	.372	-.323	-.050	**.436**	-.293	.090	-.074
Part VI Q12c	**.683**	.325	-.341	-.039	**.456**	-.241	.040	-.066
Part VI Q13	**.781**	-.035	-.139	-.092	-.059	-.081	.026	.090
Part VI Q14	**.738**	-.129	-.172	-.085	-.187	.046	.000	.090
Part VI Q15a	**.766**	-.738	-.087	-.054	.001	.276	-.237	.031
Part VI Q15b	**.638**	-.217	-.113	-.085	.017	.334	-.284	.110
Part VI Q18	.237	-.007	.013	-.279	-.237	.182	.399	-.361
Part VI Q20	.139	.047	.168	-.243	-.342	**-.523**	.297	.224
Part XII Q1	**.506**	-.301	.338	.129	.074	-.200	.062	-.189
Part XII Q2a	**.558**	-.104	**.560**	-.027	.056	-.141	-.171	-.138
Part XII Q2b	**.628**	-.339	.384	.153	.031	-.186	-.046	-.160
Part XII Q2c	**.429**	.124	.070	.241	.011	.197	.053	.091

Appendix I: Factor Analysis 2012

Factor analysis, extracted component matrix, 2012								
Components								
	1	2	3	4	5	6	7	8
Factors								
Part VI Q2	.018	.003	.272	-.387	**.423**	.110	**-.448**	.147
Part VI Q3	-.023	.321	.235	**.532**	.334	-.216	-.060	-.173
Part VI Q4	-.156	-.052	.088	-.318	.073	.117	**.518**	**-.423**
Part VI Q5	.000	-.030	.238	-.113	.180	-.218	.296	**.763**
Part VI Q8a	.314	**.547**	.189	-.430	-.343	-.100	-.097	-.098
Part VI Q8b	.239	**.666**	.350	-.134	-.229	-.035	.053	-.035
Part VI Q9	-.002	.382	**.451**	**.506**	.092	-.009	.186	.053
Part VI Q11	**.463**	.145	.040	.007	-.192	-.051	-.073	.099
Part VI Q12a	**.639**	.037	-.165	.032	-.175	.135	.076	.054
Part VI Q12b	**.585**	.365	-.340	-.007	**.405**	.291	.064	.017
Part VI Q12c	**.618**	.320	-.348	-.009	**.422**	.191	.071	.006
Part VI Q13	**.776**	.029	-.172	.063	-.022	.067	.092	.039
Part VI Q14	**.739**	-.108	-.190	.059	-.159	-.064	.061	.029
Part VI Q15a	**.760**	-.157	-.050	.031	-.011	-.407	.051	-.066
Part VI Q15b	**.629**	-.198	-.060	.061	-.024	-.506	.091	-.039
Part VI Q18	.228	-.043	-.056	.333	-.194	.135	-.564	-.019
Part VI Q20	.123	-.054	.082	.224	-.398	**.513**	.170	.317
Part XII Q1	**.487**	-.354	.353	-.122	.121	-.177	.002	.037
Part XII Q2a	**.553**	-.169	**.536**	.136	.062	.159	.045	-.217
Part XII Q2b	**.623**	.376	.378	-.102	.041	.185	-.019	-.118
Part XII Q2c	**.423**	.070	.139	-.202	.023	-.143	-.260	.090

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